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JPRS-WER-84-101

20 August 1984

West Europe Report

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20 August 1984

WEST EUROPE REPORT

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SOCIALIST, CONSERVATIVE DAILIES DIFFER ON SDP 'CRISIS'

Socialist Paper Disputes Membership

Copenhagen AKTUELT in Danish 14 Jul 84 p 9

[Editorial: "They Are Fleeing!"]

[Text] It is not surprising that BERLINGSKE TIDENDE is plunging into the "problems of the Social Democrats" with such great glee and, of course, some significant events are occurring within Denmark's largest party. In addition, in the heat of battle, things are done and said that play into the hands of one's opponents--and, of course, the opponent makes good use of them.

All this is fine.

What is not fine is when DEN BERLINGSKE AVIS interprets the "problems of the Social Democrats" as meaning that the party is falling apart. There is an open and democratic debate underway and when BERLINGEREN, in its daily "revelation" about the Social Democrats, writes on its front page that "members are fleeing from the Social Democratic Party, it is an outright lie. The party is approaching its national congress under the "magic number" of 100,000 members, the paper stated on Thursday. BERLINGEREN did not come crawling with a retraction on Friday, but presented an "explanation." This was in the form of statistics on the membership of the political parties. The fact is that there is now less interest in political parties than some people believe. But the Social Democrats are not the only party that is losing members. This is a general and regrettable trend. BERLINGEREN presented the following trend for 1953 through 1983: the Radical Liberals dropped from 36,000 to 10,000, the Conservatives from 89,000 to 52,000, and the Liberals from 187,000 to 89,000.

In 1953 there were 626,000 members of the political parties, compared to 189,300 today. These are the figures BERLINGEREN is manipulating.

Socialist People's Party Wooed

Copenhagen BERLINGSKE TIDENDE in Danish 15 Jul 84 p 10

[Editorial: "The Crisis"]

[Text] One week's debate over the crisis of the Social Democrats has stirred up more dust than many people expected or wanted. A minor power struggle for control over the party apparatus is now developing into a period of soul-searching that may continue until the party congress in September--and probably even after that. The soul-searching concerns both the party's politics and its leadership.

The leadership question has come to the foreground because it is so closely related to the upcoming selection of a deputy chairman and a party secretary. The leadership question is not merely a matter of personalities. It is developing into a search for a scapegoat for policies that have failed. It has been remarkable to observe the care with which participants in the debate, both anonymous and open, have skirted the issue of Anker Jorgensen. There have been hints that the party chairman does not consider the party chairmanship to be his only mission in life and Anker Jorgensen, for his part, has indicated that he has some ideas about who his successor should be. But those taking part in the debate seem to be just biding their time. It must be painfully clear to them that Anker Jorgensen has been at the helm throughout the party's period of decline and that all the possible scapegoats are his hand-picked henchmen. It must be equally as clear to them that Anker Jorgensen is secure in his position primarily because there is no consensus as to who should succeed him. They also must understand that the day is approaching on which a successor must be found. The main question is not who it will be, but what the successor's policies will be.

The question of the party's politics is perhaps even more unclear than the personnel question. To be sure, the party has a platform with the high-sounding title "The Path of Solidarity," but the question is: solidarity with whom and about what? It is clear that the Social Democrats have been affected primarily by the advances of SF (Socialist People's Party). It is just as clear, therefore, that the battle for votes will be primarily between these two parties. The irony, however, is that their only possibility of presenting policies that will be seen as a genuine alternative to those of the government is to cooperate politically with SF. In order to regain votes, the Social Democrats must show a brighter shade of red. But what will this do to their right wing? Will a left turn by the Social Democrats not result in even greater losses to the nonsocialists than gains from SF? In all probability, this is the case. In addition, there is no guarantee that they will gain votes on the left.

This is why the Social Democrats are now in what has correctly been called a deep political crisis.

Deputy Chairmanship Fight Viewed

Copenhagen BERLINGSKE TIDENDE in Danish 18 Jul 84 p 3

[Commentary by Michael Ehrenreich]

[Text] The deputy chairmanship of the Social Democratic Party is hardly a certain springboard to the chairmanship. This has been shown by the history of the Social Democratic Party. The deputy chairman is only one player in the complex game that will begin when it becomes time to change leaders.

During the period following the upcoming party congress, the Social Democrats will be closer to a change in leadership than at any time during the period preceding the party congress in September.

This is why the struggle for a successor to the party chairman of the country's largest opposition party has heated up, even though the chairman, former Prime Minister Anker Jorgensen, has yet to give even a hint as to when he wants to be relieved.

The congress in September will present party representatives with an opportunity to indicate which circle within the party is likely to produce the next party chairman after Anker Jorgensen, 62 years old, steps down. The earliest possible date for this would be after the local elections next spring, if the results are favorable to the Social Democrats

Highly Elevated

Although, traditionally, the party chairmanship is not a subject of debate within the Social Democratic Party, the topic of a successor is being discussed at a level immediately below the chairmanship--namely in connection with the new deputy chairman who will work alongside the present deputy chairman, Knud Heinesen, who is expected to be reelected at the party congress.

The picture is further complicated by the fact that the deputy chairman of the Social Democratic Party seldom becomes chairman. As we know, neither Hans Rasmussen nor Erling Dinesen succeeded Vigo Kampmann or Jens Otto Krag--nor have Kjeld Olesen or Knud Heinesen ever been seen as automatic successors to Anker Jorgensen, simply by virtue of their position as deputy chairmen.

In the Social Democratic Party, the party chairmanship is seen as a position that is so influential and so highly elevated above all other political and organizational positions that, when the time comes, the question of a change of leadership will be analyzed in detail in the light of the political, parliamentary, and party situation at that time. The deputy chairman is merely one player in this game.

Historic Experience

Present Social Democratic deputy chairman Knud Heinesen describes the situation as follows:

"It is unreasonable to make the appointment of a deputy chairman or, for that matter, a party secretary into a question of a successor to the party chairman. First of all, selecting a new party chairman is not a current issue and, secondly, when Anker Jorgen decides to step down and the Social Democrats must change leaders, it will be irrelevant who the deputy chairman is. This has been clearly demonstrated throughout the history of the Social Democratic Party."

"It is a Social Democratic tradition that the new chairman is selected on the basis of the concrete political phase or epoch the party is in when the time comes for a change in leadership. In other words, it will depend on what position the Social Democrats are in, what possibilities for political cooperation are available, and what policies are to be carried out," Knud Heinesen said.

Damaging

Within the Social Democratic Party, heated discussions of personalities such as those we have seen in recent days are seen as damaging both to the party and to those persons involved. Discussions of this type overshadow the party's debate over political issues, at a time when the party is still in the unaccustomed role in the opposition. In addition, the titles "crown prince" and "crown princess" force the persons involved to become bogged down in the media.

Last year, in a debate over the next successor Birte Weiss, the candidate for the deputy chairmanship who is backed by the executive committee, said that, "We cannot afford a battle over who the chairman's successor will be."

"Anker potential successors cannot wait until it is their turn. Although at present, each in his own way, they all have an outstanding opportunity to support the parliamentary group leader and help establish constructive opposition policies, very little has been done," Birte Weiss said in a newspaper article.

Immediately after the executive committee nominated her for the deputy chairmanship, Birte Weiss announced that she was not seeking the party chairmanship.

Nevertheless, whether the chosen one is Birte Weiss or Helle Degn, the new deputy chairman will have access to a circle of individuals who, when the time comes, will decide who the next chairman of the Social Democratic Party will be. The new deputy chairman will take a seat at the table already occupied by Anker Jorgensen, deputy chairman Knud Heinesen, deputy chairman of the party's parliamentary group Ritt Bjerregaard, political spokesman Svend Auken, and speaker of parliament Svend Jakobsen.

These five, along with the new deputy chairman, will be primarily responsible for selecting the new party chairman when the time comes. Judging from the recent history of the Social Democratic Party, the deputy chairmanship could be more of a handicap than an advantage.

JAFFRE ANALYZES MOVE TO RIGHT IN EUROPEAN ELECTIONS

Paris LE MONDE in French 30 Jun, 1-2 Jul 84

[Article by Jerome Jaffre, director of political studies at SOFRES, and lecturer at the Political Studies Institute of Paris]

[30 Jun 84 pp 1, 7]

[Text] Rejection of the Majority

Five years after a first and not very conclusive experiment, the Community's voters are still taking very little interest in the election of the European assembly. With the exception of countries in which voting is mandatory, participation in the elections is either declining or is stagnating at a very low level. This low voter turnout is even affecting countries as committed to the construction of Europe as are Germany (the percentage of voters is down 9 points) and the Netherlands (down 7 points). In France, despite the strong polarization that has dominated our public life since 1981, the decline is over 4 points (56.7 percent instead of 61.2 percent in 1979). The rate of abstention in the European election is the highest of all political elections, whether local or national. It even exceeds the modest cantonal elections which, for the past 10 years, have aroused more excitement in the voters!

This abstention can be analyzed by using the SOFRES [French Opinion Polling Company] poll conducted from 19 to 21 June for LE FIGARO. It reveals the existence of a triple filter screening participation in this election: cultural, political, and European. The part of the population with the lowest level of education, that is the least politicized, and the least favorable to Europe stayed at home. The European election isn't yet a major election for the people. In some respects, it seems to be more of an elitist election.

The percentage of voters reached 68 percent among French citizens with a higher level of education; it was 53 percent among those who did not go beyond primary school. 69 percent of upper-level management employees and members of the liberal professions voted, compared with 53 percent of workers and 49 percent of merchants and artisans. The rate of voter turnout was 78 percent for those who are very interested in politics, and only 25 percent for those not at all interested in politics.

Then, according to the SOFRES-TF1-LE NOUVEL OBSERVATEUR exit poll conducted on 17 June, 60 percent of the voters said that they supported an acceleration in the construction of Europe. But 2 months earlier, the percentage of the entire French population [supporting such an accelerated pace]--voters and non-voters--was only 48 percent.

It is clear that such a strong and culturally biased rate of abstention endangers the very existence of the election. What is the use of holding such an election if the voters know nothing about an assembly without great powers, without a past record of performance, and without any means of affecting the day-to-day life of the people of Europe? In the current state of affairs, the elections are European in name only, and everywhere they have become a test of domestic political strength.

Eventually, either the assembly will truly exist and will interest the Europeans, or the national governments will get tired of conducting--at great risk--this test of their popularity every 5 years.

Now, 3 years after Mr Mitterrand took office, the results seem to indicate a clear rejection of his majority. That is the major lesson to be learned from this election, even more significant than the new communist decline or Mr Le Pen's success. The left, in the strict meaning of the term--the PC [Communist Party], PS [Socialist Party], and far left slates--received a total of only 35.7 percent of the votes cast, instead of the level of 47.3 percent received on 26 April 1981 in the first round of the presidential election. During the left's 37 months in office, it has lost 11.6 points, about a fourth of its electoral influence.

57-43

The opposition--with all slates listed together, including Mr Le Pen's--got about 57.6 percent of the votes. If we distribute

the ERE [expansion unknown] and the Green voters between the opposition and the majority, depending on their wishes in the case of the legislative elections, the ratio of strength comes to 60.8 percent to 39.2 percent; a gap of nearly 22 points between the two great trends in the public mind, between order and movement. That has never before been seen in the history of our elections, even in 1968 or 1981. Just think that in 1936 a shift of several hundred thousand votes would have meant a victory for the Popular Front!

Each of the majority parties has been hurt by this decline. The PC, of course, since 1981 has lost 4.3 points, or 27.6 percent of its influence; and the PS, too, has lost 5.3 points (or 20.5 percent). And the PSU [Unified Socialist Party], "the left's third slate," which is not a participant in the administration, even with the support of some communist voters, is now at the lowest level in its electoral history (0.7 percent).

Has the left been the victim of exceptional abstentionism? In denying this, some people object that in 1979, with a 38.8 percent rate of abstention, the left still won 47.4 percent of the votes. But 4 years ago, nonparticipation affected the different political groups in a fairly balanced way. Today that is no longer true. The relation between abstention and the decline of the left can be seen quite clearly in geographic terms.

The majority is declining more than anywhere else in the departments of eastern France, which have been the most affected by low voter turnouts since 1981 (the Bas-Rhin, Haut-Rhin, Moselle, Vosges, and Meurthe-et-Moselle departments). Conversely, the majority is not doing as badly in the southwest, where abstention is rising at the slowest pace (Ariege, Aude, and Dordogne departments). Simple arithmetic can prove the truth of this phenomenon: in the ten departments where abstention has risen most since 1981, the left has lost 33 percent of its influence (index of 66.9); in the ten departments where abstention has increased the least, the left has lost just 18 percent of its influence (index of 82).

This indication is confirmed and clarified by the SOFRES post-election poll: 40 percent of the people who voted for Mitterrand on 10 May 1981 said they did not vote in this election, compared with only 25 percent of the people who voted for Giscard d'Estaing. Let's suppose for a moment that these voters had gone to the polls and acted in the same way as the actual voters did. The majority would then have gotten 42.9 percent of the votes, instead of 39.2 percent, according to

our initial calculations. The loss caused by this differential abstention thus amounts to 3.7 points. This is a considerable phenomenon, but it is not enough to change the election results. The right-left ratio was 51-49 in the 1982 cantonal elections; 53-47 in the 1983 municipal elections; and 57-43 in the 1984 European elections. These figures confirm the results of the partial cantonal elections which were held after the second austerity plan and the third devaluation. During the past year, the opposition has built up a considerable lead over the majority. The European elections have now given the left an indication of the handicap it is going to have to make up before the 1986 legislative elections.

PC and PS Declining at the Same Rate

The Communist Party is paying heavily for these abstentions. There were two major motivations bringing the voters to the polls on 17 June: an interest in the construction of Europe, and a desire to vote against the present administration. The opposition, which has been prompt to grab any opportunity to stand up and be counted, answered "present" on both these points. The socialist voters were interested in the first point, but neither of the two issues could bring the communist voters to the polls.

In the ten departments in which abstentions have grown the most since 1981, the PC has lost 37.5 percent of the influence it had 3 years ago (compared with a national average of 27.6 percent). In the ten departments in which abstentions have grown the least, the decline was 18 percent (index of 81.8). So there is a close relation between the two phenomena.

It thus appears that the communist declines of 1981 and 1984 are of a different nature. In the first round of the presidential election, nearly a fourth of the traditional communist voters cast their ballots for Francois Mitterrand: in 1984, there were massive abstentions, and few switches in allegiance. According to the SOFRES figures, 88 percent of the communist voters in 1981 who did actually vote cast their ballots for Marchais, but many stayed at home. To use a military analogy, in 1981 they went over to the enemy. Today they are just walking away from their posts, whether temporarily or not.

The second difference; 3 years ago, the communist decline was relatively even all over the country, no matter how strong the party's local position was. In 1984--as also in 1958--the loss

depends on the party's local position. Its resistance is better in areas where it is strong, where tradition and party allegiance are important factors. Elsewhere, the Communist Party is often becoming a marginal political group.

In the 18 departments in which Marchais got more than 20 percent of the votes in April 1981, the PC has lost 19.6 percent of its influence (index of 80.4); in the 16 departments where he got less than 10 percent of the votes in 1981, there has been a 37 percent decline (index of 62.7). The party is maintaining its influence fairly well in the south and center--in the Allier (index of 90.7), Correze (95.4), Aude (80.3) and the Gard departments (80.4). But it has lost about half of its influence in the departments with high abstention rates in the east and interior of the west, where it wasn't strong anyway: the Haut-Rhin (44.8); Bas-Rhin (50.5); Manche (54.9); Mayenne (56.6) and Maine-et-Loire (58.5).

The PC's decline is an undeniable reality, and the party has yet to deal with its in-depth causes*. But it is by no means impossible that this phenomenon may have been accentuated by conditions peculiar to the European elections. In getting out its troops on 17 June, the PC was hurt by the lack of any clear party line. Who could tell if it was really in favor of or opposed to the present administration's actions, if it supported or opposed the construction of Europe?

Between now and 1986, in order to get its voters back to the polls, the Communist Party will have to make a real choice: either it will have to become a real administration party, or it will have to stop being a party to the administration. Both pleased and concerned about the new decline of its associate and rival, the Socialist Party has been forgetting a little too quickly that the European elections also marked its own defeat. For in relation to 1981, the Socialist Party lost ground in 94 of the 96 departments.

Like the PC, the PS is holding fairly steady in the southwest and the center, which had higher voter turnouts: the Aude, Ariège, Tarn, Correze, and Creuse departments. But it lost heavily in areas with very high abstention rates in the east (the Vosges, Moselle, Marne, Bas-Rhin, and Haut-Rhin). Essentially, though, the socialist decline was caused by a shift toward the right: according to the SOFRES-TF1-LE NOUVEL OBSERVATEUR poll, 23 percent of the people who voted for Mitterrand

* See Jerome Jaffre, "The PCF: a Continuation of the Decline," LE MONDE, 3 April 1984.

on 26 April 1981, on 17 June 1984 voted for a slate further to the right. In the highly urbanized departments of the Paris region and in the Rhone-Alpes, this phenomenon directly helped Jean-Marie Le Pen.

Unlike 1981, we find no--or very little--vote trading between communists and socialists. The two parties are declining at the same rate in the different departments. This is certainly a sign that the vote shows a general rejection of the majority now in office, rather than a competition between the two forces on the left. In the 17 departments in which the PS has maintained its strength the best (index over 88), the index for the PC was 77 (its nationwide index was 72.4).

Conversely, in the 17 departments in which the PS has declined the most (index under 74), the communist index is also at a very low level (66.3). We find a similar phenomenon in the changes affecting the Communist Party itself. In other words, the misfortune of one party hasn't helped the other. The message from the voters today isn't the same as it was in 1981: a red light for the PC, green light for the PS. This is a clear and massive rejection of both the parties on the left.

[1-2 Jul 84 p 10]

[Text] Shift to the Right

In the first article [of this two-part series] (LE MONDE, 30 June); Jerome Jaffre analyzed the left's losses in the recent European elections.

Since 1981, the shift of the voters toward the right has been constant. In the presidential election, there was a large communist decline and an upturn in the Socialist Party. In 1982-1983 there was a socialist decline and an upswing for the moderate right. Today, there is a decline of the left, stagnation of the right, and a breakthrough on the far right.

With 43 percent of the votes cast, Mme Veil's slate had a very good first-round result, comparable to the votes for General de Gaulle in 1965 or Georges Pompidou in 1969. Except for one detail: this time there was no second round to create any majority dynamics. Let's remember also that the union slate led the PS and PC slates by 11.1 points, while in 1981 Giscard d'Estaing's and Chirac's lead over Mitterrand and Marchais was only 4.3 points.

In terms of electoral geography, there were no major surprises. The Veil slate got over 50 percent of the votes in 12 departments, all traditional strongholds of the conservative right, located in the southeastern Massif Central, in the interior of the west, and in Alsace. And it got its worst returns in the historic fiefs of the left, such as Nord-Pas-de-Calais, and the Mediterranean south.

The new factor in the game, of course, is the 11 percent going to Jean-Marie Le Pen. This phenomenon is both political and sociological. This is a strong opposition vote against the left, and it is also an urban vote, linked to the problems of a feeling of lack of safety and immigration.

The Meaning of the Le Pen Vote

In the first place, the Le Pen vote falls within the election traditions of the far right. Nearly 20 years after the candidacy of Mr Tixier-Vignancour in the presidential election of 1965, there is a feeling of satisfaction in finding that Mr Le Pen got his best results in the departments where General Salan's attorney ran the strongest at that time.

The National Front slate got 21.4 percent of the votes in the Alpes-Maritimes (Tixier-Vignancour, 12.5 percent); 20 percent in the Var (14.1 percent); 19.5 percent in Bouches-du-Rhone (12.5 percent); 16.4 percent in the Vaucluse (12.2 percent); and 15.9 percent in Pyrenees-Orientales (10.4 percent). In these areas, Le Pen had the advantage of widespread support from people who had lived abroad, and of the neutrality, or even support, of a number of opposition leaders. In the southwest, though--where voter participation was higher and where the PS is in a stronger position--the far right did not make any gains, in relative terms, equivalent to those of Tixier-Vignancour (Haute-Garonne, Gers, etc.).

The political dimension of the Le Pen vote--40 percent of his supporters classify themselves as being on the far right--is part of a desire to express maximum opposition to the left. According to the SOFRES-TF1-LE NOUVEL OBSERVATEUR poll, these were the voters who in greatest numbers (nearly 70 percent) wanted to vote "against the administration."

In the second place, the National Front's success is linked to a boost from the major urban areas. Outside of the departments in the southeast, the slate did best in the urbanized areas of the Rhone-Alpes region, in the east, and in the Paris region.

It won 15.2 percent of the votes in Paris, 15.9 percent in the Rhone department, and 14 percent in the Moselle department. In almost each central city of the 96 departments, it got an average of 3 to 4 points more than in the other towns in the department.

In the 36 cities with a population over 100,000, its average percentage came to 14.1 percent (instead of 11 percent on a national basis). In five of these cities, Le Pen's slate exceeded the 20 percent threshold: 22.9 percent in Aix-en-Provence, 22.8 percent in Nice, 22.3 percent in Toulon, 21.5 percent in Perpignan, and 21.4 percent in Marseille.

The Le Pen vote is even higher wherever the percentage of immigrants in the working-age population is over 10 percent. In cities with over 100,000 inhabitants, it comes close to 17 percent: to be exact, 16.7 percent of the votes cast. In this type of situation, the National Front goes completely beyond the traditional limits of the far right: it won 19.1 percent in Roubaix, 18.7 percent in Mulhouse, 17.1 percent in Saint-Etienne, 16.9 percent in Metz, etc. At this point this surge on the far right ceases to be a political event, and becomes instead a social phenomenon. This should be a cause for serious and thoughtful reflection on the part of everyone concerned about the rise of racism in France.

Mr Le Pen reached his limits when he tried to pose as the standard-bearer of the conservatives. His slate did rather poorly in the right's traditional strongholds. In the 16 departments in which moderate candidates won over 55 percent of the votes on 26 April 1981, Mme Veil won a majority with 51.3 percent, and Mr Le Pen got less than his national average, with 10.1 percent of the votes. As an example, he got only 6.1 percent in Vendee, 6.2 percent in Mayenne, 6.5 percent in Ille-et-Vilaine, and 6.7 percent in Lozere.

Transfer from the Left

All these features clearly show that the Le Pen vote escapes, at least in part, the traditional political distinctions. It was also helped by a specific transfer from the left: nearly one in four of the National Front's voters voted for Mitterrand on 10 May 1981, while fewer than one in ten of these people voted for Mme Veil.

Does this mean that communist voters played a substantial role in the National Front's success? The polls consistently and vigorously deny this. They indicate that only 2 percent of the

people who voted for Marchais in 1981 this time voted for the Le Pen slate. But we can not reject the possibility that the people interviewed might deny the existence of such an eventuality. Still, early analyses of the election results do suggest, with a few exceptions, very low communist support for Le Pen.

In the 15 departments in which the PC declined the most (index under 60), Le Pen won only 10.4 percent of the votes, less than his national average. In the 16 departments where the National Front got over 14 percent of the votes cast, the PC's influence was 71.2, very close to its national average (72.4). In communist cities with over 100,000 inhabitants, the far right won 9.7 percent of the votes, compared with 13.2 percent in socialist cities, and 15 percent in opposition-led cities. The same thing happened in cities with over 30,000 inhabitants with a high population density of immigrants (over 16 percent of the working-age population): the Le Pen score was 14.9 percent in towns with communist mayors, 16.2 percent in towns with socialist mayors, and 18.9 percent in cities run by the right.

In Isere, for example, in the town of Saint-Martin-d'Heres, a communist town in which the proportion of immigrants is 19.3 percent, Le Pen won only 9.9 percent of the votes; in Grenoble, a former socialist city now led by the opposition, where the percentage of immigrants is 10.8 percent, the National Front slate won 12.1 percent of the votes cast. Of course, we can not deny the possibility of local situations in which there was some real communist support for Le Pen, but in the urban areas where Le Pen ran strongly, his score is in inverse proportion to the Communist Party's traditional influence.

Because of the dual dimension of the Le Pen vote--maximum opposition to the left, protest against living conditions in urban environments--we do take its chances of lasting seriously. Even if we eliminate the fraction of UDF [French Democratic Union] and RPR [Rally for the Republic] sympathizers who voted for Le Pen, the movement still represents 7 percent of the voters.

Its survival or growth will depend on the type of balloting chosen for the next legislative elections (with a more or less strong dose of proportional representation) and on the response given to the concerns of people living in large cities. But it now seems likely that until the next presidential election, Le Pen will represent a structured and significant movement in our political life.

7679
CSO: 3519/432

POLICE POLITICAL DOSSIERS TO BE DESTROYED

Athens ETHNOS in Greek 5 Jun 84 p 7

/Article by P. Jombolos/

/Text/ All the political dossiers of citizens are being transferred as of yesterday morning to the building housing the Motorized Units and the Order Restoration Units /MAT/ of the City Police on 8 Khiou Street in Kaisariani.

At the same time, next week according to press reports the Ministry of Public Order will complete the work on legislation for the destruction of the dossiers.

The minister of Public Order Giannis Skoularikis stated that the bill will be introduced, discussed, and enacted by the vacation session of the Chamber of Deputies during the first fortnight of July and the destruction of the dossiers will be done by the end of the month.

It became known that yesterday the transfer of the political dossiers, kept in the Athens General Security to the MAT building, was completed. The transfer was done under strict security in City Police trucks.

The transfer of dossiers from Ypea has also started. It will be followed by the Piraeus General Security, the Suburbs Security in the capital and the Salonica General Security.

In the Provinces

The dossiers kept in the local gendarmerie offices throughout the country will also be transferred to the MAT building and will be destroyed in accordance with the law which will be enacted next month.

Skoularikis feels that in each nomos capital a dossier should be destroyed symbolically in front of the local authorities. This, as well as other details, will be determined by the new law. According to a list recently made public by the Ministry of Public Order, the dossiers kept at all police agencies throughout the country total 41,255,188 and occupy an area of 10,951 square meters. Of these, 25,547,273 refer to security questions; 6,604,307 to matters of order; 2,894,085 on aliens; 2,505,911 on traffic matters; 262,880 on price

control violations; and 30,938 on the protection of the currency.

As of this moment, it is not known how many dossiers will be destroyed. In any event, it is estimated that they exceed 25 million.

Following the enactment of the bill and the designation of the destruction date, the political dossiers will be taken to the Softex paper plant in Votanikos to be made into pulp. Until then they will be kept in the MAT building guarded by the 248 policemen who graduated last week and who were all appointed to MAT.

7520

CS0: 3521/272

COMMUNISTS REPORTEDLY MEMBERS OF SECURITY FORCES

Athens I VRADYNI in Greek 9 Jun 84 p 5

/Text/ Organized active members of the Communist Youth /KNE/ of KKE (M-L) and other organizations of the non-parliamentary Left attended the Schools of Gendarmerie and Policemen under the PASOK government and already serve in the Security Corps. Some of them are even in the Intelligence Service of Athens Security!

ND deputy Con. Sapsalis revealed yesterday that this is one of the rewards for the moratorium between PASOK and KKE. He added that the government had received intelligence notes about the students and yet in the recent appointments several organized members of KKE are serving in the Athens Security.

According to secret reports by the appropriate services of Security, VRADYNI reveals today that 86 men and 4 women who joined the City Police in 1982 are KNE members or members of other organizations of the non-parliamentary Left!

Criminal Offenses

Of them, several are serving with Athens Security (even with the Intelligence Service), with Units for Restoring Order /MAT/ and with various police precincts. Some of them--according to secret intelligence reports--have been arrested in the past on criminal charges.

Here are illustrations from the secret reports:

A policeman born in Agrinion in 1958 and serving in a fighting unit is an organized cadre of KKE and KNE and after work he engages in various party activities.

Another policeman born in Patras in 1958 is an energetic member of KNE.

Another born in Keruyra in 1958 is very active within the KKE mechanism.

Also, a policeman born in 1957 in the Trikala area calls some of his colleagues "fascist" and tells them the time has come for them to die. When not on duty he is active with communist propaganda activities.

A policeman born in the Arta area in 1961 has become increasingly active in the ranks of KNE and is said to give information to this organization on the situation in the Security Corps.

It has been established that certain of the policemen who entered the Corps in 1982 have contacts with members of anarchist groups in Exarkeia and other areas. The question is how did the government accept their appointments in such sensitive positions for the protection of law and order?

VRADYNI has the names of all the communists, the secret reports on their activities, and details on their enlistment in the police.

The Sapsalis Statement

"Our camp has repeatedly noted the moratorium between PASOK (as the government) and KKE. We have noted that on many points they are working side by side. There has been a great deal of give and take so far. Today I am adding one more exchange. Many policemen and gendarmes were appointed to the Security Corps. The PASOK government asked for intelligence reports on the political backgrounds of the candidates. The government accepted young men in the schools who were organized members of KNE/KKE and KKE (M-L). Now they have graduated and serve as gendarmes and policemen in various services.

"It is noteworthy that many of them serve in Athens Security, others in the Motorized Units (following recent transfers), others in various police precincts; several in Traffic Police, etc.

"The question is: Can anyone be a guardian of public order when he is a member of a political party which declares that it does not rule out the use of violence to take power. The government must assume its responsibilities."

7520

CSO: 3521/272

ND'S INTERNAL DISPUTES SURE TO RE-EMERGE

Athens TO VIMA TIS KYRIAKIS in Greek 10 Jun 84 p 4

/Article by Giannis Roumbatis/

/Text/ In the end, in spite of all the committees, subcommittees, groups, staff members, friends and associates who were mobilized by the ND for several months now for the "battle of the Euroelections," the conventional wisdom of the past prevailed...The leader of ND decided almost by himself on everything!

E. Averof gave the flavor he wanted to the electoral campaign. He chose--with the help it is said, of extraparliamentary sources but "without the participation" of the party's main cadres--the persons who were placed on the Euroelection ticket. And he decided to lead the ND ticket himself.

Now on the eve of the Euroelection, and with the expectation that the party's electoral strength may increase, the disagreements have not been overcome, of course, but they appear to have been pushed into the future. The anti-leadership activities of the various aspirants presumably have been suspended until a "more suitable time" and ND has acquired for the first time in 2 years a--temporary maybe--but unquestionable leader.

However, in spite of the "unity" encouraged by the expectations that the party's situation will improve, the personal disagreements and conflicts within the ND have not disappeared. Simply, the expectation of the electoral result has made the protagonists more cautious and--especially--less talkative. But samples of their disagreements and differences will always exist.

Possibly more...expressive is the former minister to the presidency Con. Stefanopoulos. And he is expressive precisely because he does not speak against the present leadership of his party. By applying a tactic of "passive resistance" Stefanopoulos systematically is absent from ND public meetings--whenever he can.

Stefanopoulos, in his private talks with political friends, does not hide that he feels downgraded because of the preference Averof shows for Con. Mitsotakis.

On his part, Mitsotakis avoids any discussion about the course of the electoral campaign after the Averof initiatives. He is displeased, however, according

to his close associates because Averof "has violated" a certain agreement they had.

Mitsotakis appears to have secured from Averof the promise that he would be in charge of the electoral campaign for the ND.

Certain persons in ND claim that, in exchange for this, Averof extracted from Mitsotakis the promise that he would not object to the placement of I. Boutos at the top of the Euro ticket. Mitsotakis raised no objections but apparently he was not rewarded--because Averof took over the electoral campaign and especially the political decisions relating to it.

In any event, it does not seem that this development has caused any special problems in the relations between Averof and Mitsotakis which--according to their colleagues--remain "very close."

It's not the same with the relations between Averof and Athan. Kanellopoulos who is considered in ND to be the "great loser" of the election regardless of the result. Averof tried to soothe the pain Kanellopoulos must have felt when he was not included in the ND Euro ticket. At the press conference last Wednesday Averof said that he did not include Kanellopoulos in the Eurocandidates because Kanellopoulos did not want to lose his professorship at the university.

Kanellopoulos, who was sitting among the journalists, was heard to say in jest: "Now my leader is making me out to be a scoundrel...He says that I did not want to sacrifice myself for the party because I had other interests!"

The bitterness Kanellopoulos apparently feels is intensified by the fact that--as he said--he was the architect of the confrontation "across the board" which ND applied to the electoral campaign.

But I. Boutos, the big winner of the Euroelection, does not seem to be fully satisfied by the developments either. Boutos stated in an interview last Thursday to an afternoon newspaper that "certain people looked to me as the representative of a certain point of view within the ND." He explained that his participation in the Euroticket constitutes recognition of the renovating line.

But Boutos very carefully kept a certain distance from Averof, both at the Wednesday press conference and at his interview.

Thus, last Wednesday he tried--unsuccessfully--to tone down the impressions that might be created from the charges voiced by Averof and C. Papaconstandinou who spoke of "state terrorism" and "the planned fraud" for next Sunday's elections. Boutos did not embrace these expressions and appeared more conciliatory, using the "language of the Center."

Moreover, during his interview on Thursday Boutos went even further. He spoke of the consequences of an ND electoral defeat in the Euroelections. "In all

parties an electoral defeat results in internal convulsions. Why should we be an exception?" He added that "we have the precedent of the 1981 election in our party," apparently referring to the removal of G. Rallis and the election of Averof.

The disputes of all these aspirants have been submerged under the activation of the partisan mechanism of the ND for the electoral campaign. Characteristically, all the displeased leaders of the ND agree that this mobilization has been useful. For this reason they all wait for the results of the Euro-elections in order to decide on their next move. For the time being they are all very careful.

7520

CSO: 3521/272

PLOT RUMORS POINT TO INTRAPARTY CRISIS IN PASOK

Alleged Plot Reported

Athens I KATHIMERINI in Greek 28 Jun 84 p 1

[Excerpts] Yesterday's sudden developments within the governing party were a result of the article in the newspaper ROMIOSYNI--which has already been disavowed--and are considered to be a significant resurfacing of the intraparty crisis that has raged these past few days in PASOK. Not a single politician believes that the writer of the article--editor of the newspaper, who was expelled from PASOK's ranks--acted on his own. On the contrary, all are of the opinion that the evidently false report is, at the very least, the expression of a PASOK faction. This impression, which was apparent by simply reading the report, was: a) reinforced by the statements of the minister to the Premier, Mr. Ap. Lazaris, who literally rebelled (yesterday morning he stated that if "this gentleman is still a member of PASOK then I don't have any reason to be in PASOK") and b) fully confirmed by Mr. D. Maroudas, who spoke yesterday afternoon about "a very small faction within PASOK" that is involved in the other affair.

The controversial front-page report of the newspaperman and PASOK party member, which appeared in yesterday's issue of ROMIOSYNI, was entitled "They Plot" and next to it were the photographs of Minister Ap. Lazaris; Mr. G. Mavros; Chamber of Deputies vice president, Mr. M. Natsinas; Deputy Minister St. Papathemelis; and PASOK deputy, Mr. T. Sekhiotis. The author of the report alleges, among other things, that:

High parliamentary PASOK officials are part of the plot and they are preparing to defect and create a centrist party. Their targets are Andreas Papandreou, PASOK, the Change and the progressive movement in Greece in general.

The undermining plan was hatched behind the scenes in Irodou Attikou Street (he means the presidential palace) and was pushed for implementation with the recruitment of parliamentary cadres from PASOK.

The author of the article goes on to say that the first ones to yield are: the cadres of the leadership of the Chamber of Deputies, Minister Ap. Lazaris, Deputy Minister St. Papathemelis, Deputy Minister As Fotilas as well as a dozen PASOK deputies among whom are Messrs. V. Staikos, Khr. Karageorgiou, T. Sekhiotis, E. Natsinas and the "expelled" G. Petsos and A. Mbouloukos.

Next to be recruited, he wrote, was Mr. G. Mavros for whom the invisible masterminds had reserved a special role.

The reporter does not leave out of his report even the editors, such as Mr. K. Geronikolos, of large circulation newspapers friendly to the administration. He alleges that the editors, Messrs. Lambrakis (NEA), Mbombolas (ETHNOS) and Tegopoulos (ELEVTHEROTYPIA), promised the extraparliamentary official, who is directing the "plot" (he means the president of Greece), their indirect assistance.

Finally, he lets it be understood that the masterminds of the "plot" are Messrs. Giannis Alevras and Ap. Lazaris.

Government in 'Disintegration' Stage

Athens I KATHIMERINI in Greek 28 Jun 84 p 1

[Excerpts] The administration gives the impression of total disintegration by admitting that war is waged against it from "within," but also still maintains its initial position that there is a "conspiracy" plan by the New Democracy of the "home establishment," etc. whose exclusive objective is its erosion. Before the ink of yesterday's newspapers that printed the administration's statement on the subject had had a chance to dry, another "conspiracy" came to light, in which, according to the report, there were involved the president of the Chamber of Deputies, members of its leadership, Mr. Ap. Lazaris, Mr. St. Papathemelis and PASOK deputies. The report--under the byline of a reporter who is a PASOK official and the premier's relative by marriage--even attempted to involve in the conspiracy the president of the Republic, Mr. Kon. Karamanlis, to whom he referred by name and indirectly. The administration and PASOK reacted immediately to the article with an immediate mobilization to issue official statements denouncing it, beginning with Mr. Papandreou's from Paris yesterday morning and ending with the announcement of the expulsion from PASOK's ranks--after a speedy and succinct procedure by the disciplinary council--of the author of the controversial article.

The intraparty conflict in PASOK was admitted yesterday by the government itself (with a statement by its spokesman that follows). It is evident that one of the factions in PASOK--which was apparently expressed in yesterday's article in ROMIOSYNI--is pressuring the premier to break with the president of the Republic in view of the next political developments which are taken for granted (presidential elections and general parliamentary elections in October 1985 as long, of course, as these are not pushed forward for some reason).

It is also to be noted that the same newspaper, ever since the day after the Euro-elections, by presenting itself as expressing the true trend--or even the will--of PASOK's party organizations, had firmly opposed any notion of PASOK's "opening to the Center," by being overly protective of the purity of the party line.

On the other hand, the administration, in its effort to "eliminate" as many intraparty fronts as possible, yesterday appeared disposed to the settling of the Fotilas matter.

However, reliable political observers point out that the entire matter that began with yesterday's article (in the ROMIOSYNI newspaper) can be considered as anything but closed despite the categorical condemnation of its improbable "scenario" (the report is also published in other sections) and despite the expulsion of its author. This because the matter has many and extremely significant facts.

The matter of the relations of the administration with the president continues to exist.

The existence of conflicting factions within the governing party comes to light and it cannot be predicted how far their opposition is going to lead them. In any event, the final result of this conflict is considered to be tearing to shreds the remnants of the administration's credibility.

It becomes evident that the government is not disposed to abandon its steady sloganeering of a "conspiracy with the Right" even when it itself admits that there is a conspiracy within PASOK's own ranks.

Against Mr. Karamanlis

More specifically on the matter of the relations of the administration with the president, it is to be noted that the administration reacted, yes, but only to yesterday's article. Otherwise, it completely ignored a series of articles in a certain newspaper, which directly touched the president of the Republic.

As recently as day before yesterday this newspaper headlined its main article thus: "Great Danger of New Defections: In Order to 'Save' Karamanlis in May, Nationals and Foreigners Conspired to Dissolve PASOK and Split the Governing Power in the Country down the Middle..."

These articles not only did not generate any reaction by the government, but, on the contrary, it became officially clear that all the statements the administration made yesterday had to do exclusively and only with the ROMIOSYNI article.

But even for this article, the administration has to rely on the judgment of the responsible attorneys for the part that concerns the president of the Republic. This was the answer given by the administration's spokesman, Mr. Maroudas, when questioned on the subject by reporters. (The report follows) Political observers point out, of course, that the government "filed suit against the VRADYNI newspaper when it reported that the premier had checked into a private clinic for tests..."

Opposition Blamed

Athens I KATHIMERINI in Greek 28 Jun 84 p 4

[Excerpts] What's the matter with Dimitris Maroudas? You remember him? He was a serene man. He also had a sense of humor! He was not like this...

Andreas has affected his nerves... He has affected everybody's nerves. Peponis was not like this either, neither was Fotilas.

We sincerely tried to find an explanation for what is happening in PASOK. The latest symptoms, those immediately after the election, have triggered justified concern.

All of a sudden a fury was unleashed against an opposition which was completely quiet. It said nothing and did nothing; it was going through a period of rather optimistic contemplation in view of the fact that a careful study of the results allowed it to look to the future with quite a bit of hope. It may be that some hoped for better results, but the comparison with PASOK's percentages consoled them.

PASOK, on the contrary, was experiencing turbulent times. Now, it is difficult for one to understand how matters can be helped by attributing this turbulence to conspirational forces of the New Democracy and to mysterious influences that ND wished it had.

We discussed this "reflection" phenomenon that attributes to the opposition precisely what is happening in the government coalition. The debunking of the myth of PASOK's all-powerfulness has caused a justified paralysis and defeatism since the day after the elections.

The leader is going through a severe crisis which is affecting everyone around him. Yet, he does not admit to any personal responsibility; he is seeking all around him those responsible for the electoral failure and has affected everyone's nerves.

The truth is that a salvo of bitter criticisms is today causing turbulence in the already overcast sky of the "green" sun.

I refer to yesterday's press only.

ETHNOS writes: "Deeds now, not theories! Our communications were, and remain, either not secure or without credibility or both. The government also knows this bitter truth... Precisely because of this, the nonchalance (nonchalance is the most charitable characterization) with which the officials cope with the problem is surprising..."

Furthermore:

ELEVETHEROTYPIA writes: "How did we manage to get into this predicament? Why did the tomatoes shoot up in price to 130 drachmai? Why are cherries stuck at 240? All of us who lost in Athens were not agents of international imperialism, but victims of the produce man, the grocer, the butcher. Because it is not easy to maintain a hold on the people forever by reminding them of the boogymen of the Right--after all, half of those whom we drew to our party in 1981 had, at one time or another, voted for this Right..."

Now, they come and lay these "conspirators" at our doorstep as if they were ours, and they charge that we are to blame for the low morale in the administration's ranks; we are to blame because PASOK's picked men have turned the ERT [Greek Radio and Television] into a circus and they present a show that surpasses the theater of the irrational.

Of course, someone will accuse us today of getting the small and inexperienced little government newspaper ROMIOSYNI drunk and of influencing it to write the most improbable fable of all.

They were not like that; neither the newspapers, the ERT, Mr. D. Maroudas nor even Mr. A. Papandreou.

It is no secret--how can it be with so many people going to and from Kastri?--that he himself spent a very bad Sunday, the victim of erroneous information that had the percentages climbing until midnight and sliding down at daybreak. It is not strange for a man with Andreas Papandreou's political experience to perceive better than anyone else that if the game continues this way it is going to be lost and consequently everything must change, as if by magic, in order to return to the good old ways.

It is not unnatural for him to try to find those responsible, whose incompetence damaged the administration, the movement, the Change.

However, he should not throw them at the opposition.

We are not to blame for the men he throws out himself. For Panagoulis, Petsos, Mbouloukos, Khondrokoukis, Drettakis, Fotilas.

They were not like this before their nerves were shattered...

9731
CSO: 3521/285

BRIEFS

EAST GERMAN TRAINING SHIP'S VISIT--For the first time, two ships of the People's Republic of Germany Navy are arriving today in the Piraeus harbor. One, the Wilhelm Pik, a training ship with 55 cadets, will stay in Piraeus, while the other, the supply ship Kichlag, will dock in Faleron. During its stay in Piraeus the training ship will be open to the public on Sunday, 10 June, and on Monday, 11 June, from 10 in the morning to 1 pm. The two ships will sail off Tuesday morning, 12 June. [Text] [Athens ELEVETHEROTYPIA in Greek 8 Jun 84 p 21] 7520

CSO: 3521/272

NORVIK ON CONSERVATIVE PARTY CHAIRMANSHIP, 1985 ELECTION

Oslo AFTENPOSTEN in Norwegian 14 Jul 84 p 3

[Article by Terje Svabo: "Important to Cover People's Need for Security"]

[Text] Erling Norvik is looking forward to again being chairman of the Conservative Party. The popular undersecretary stresses the need for continued intensive efforts in health and social policy. He admits that the government today is pressed by the unrest that dominates this area, but points out that never before have such conscious efforts been made to create good conditions for all needy. Norvik has faith in an election victory in a year. He considers it to be an urgent task to encourage the Conservative Party's own followers to increased efforts, and he stresses that the election in 1985 is a governmental election.

Norvik was chairman of the Conservative Party from 1974 to 1980, and on 26 August he will be elected to a new two-year term. Beyond doubt, "Erling" will have great tasks, and the greatest of them all is to assure Kare Willoch's place in the prime minister's chair after the election in September 1985. The starting point could have been better. Many observers tend to think that there is no longer the same fire in the party organization that there was before the Storting election in 1981. What is foremost on his work list when he again takes over the chairman's gavel?

"I have a year in front of me from the time I will become chairman to the election. The really urgent job is to win our own. Without an enthusiastic and numerous corps of election workers the election victory will be very difficult. I am planning on spending a lot of time and energy on precisely this internal armament.

"Recently there has been a lot of criticism and negative characterization of the government's work. Even our own people who know that the criticism is not correct seem to be partially paralyzed by the powerful hammering at everything: too few have the courage or strength to stick their heads out. Therefore it becomes an essential job to impress upon the Conservative Party's followers what actually has happened.

How?

"It would not occur to me to be so stupid as to claim that the sky is without clouds, that the present is rosy red and problem free, or that we are infallible. What I can say with my hand on my heart is that when the Conservative Party in 1981 promised extra effort we had already come a long way. I can say with certainty that the party has nothing to be ashamed of. We have come a long way toward rebuilding the country's economy and in this way we have created the basis for further progress. It would therefore be meaningless if we did not get four new years to continue this constructive work."

The opinion polls show that the Conservative Party reaches about 30 percent. This is not bad support, but for the coalition together is the outlook the best?

"Thirty percent for the Conservative Party is not bad. I want to add that it is a good starting point before the final spurt. Now it is up to us. We must get everyone to see that next year's election is a governmental election. I can understand that some Conservative followers who are a little disappointed or irritated are showing this in the opinion polls. Nevertheless, it is my belief that if the same people are asked whether they prefer for Kare Willoch to continue as prime minister or if the Labor Party should take over again, they would have given a positive answer for the Conservative Party. We have to make it clear that the fall of 1985 is a governmental election."

The government has been exposed to heavy criticism for its health and social policy. How will you meet this challenge?

"There is no doubt that we are pressed by the unrest, uncertainty, and lack of clarity that dominates the health and social policy in the broadest sense. Even if we never will get so far that shocking examples of individual cases that fall through the social policy safety net will not be found, we simply cannot accept long lines at the hospitals and lack of places at rest homes at the same time that beds are standing empty."

"I must stress that the government has made enormous efforts to create good conditions for all the needy. An increase of expenditures by 36 percent between 1981 and 1983 shows social responsibility and will to make an effort."

"The misfortune of the Norwegian Health Service is that so far there has been no success in organizing the service so that the enormous increases in appropriations have to a great extent not benefitted the patients enough. Our health policy is not patient-oriented enough."

But this will now be corrected?

"We are on the way. The present government has not been clever enough either, but the often criticized and scolded Leif Arne Heloe is at any rate the social minister who has begun to make things more efficient. Now we are on the way toward getting rid of the "iron curtain" among the counties in health and

social policy. One cannot quietly look on when one county lacks beds and another has a surplus.

"Heloe has begun Action Waiting List, which is removing the waiting time for orthopedic treatment and at the same time is making things more effective for the patient's benefit. For example, 100 million kroner extra has been appropriated to put new rest homes into operation. This is also needed because it is bad and costly to have recuperating patients lying in expensive hospital beds.

"The most important thing now is to continue to get the better of inflation, to recover ability to compete, to get growth so that we can afford to solve new problems in the soft areas of policy dealing with our fellow men. Here the health and social questions are central," Norvik said.

Norvik, who is from Finnmark County, seems to get going and to be in a good mood as he outlines the political challenges the government and the Conservative Party are facing. He is well aware that there is great pressure of expectation on him as he returns to the chairmanship. He says himself that his motto now as before is: I will do my best, this promise I will keep. He is looking forward to taking hold of the chairman's job, and he promises that he will do a lot of traveling before the governmental election. He regards it a duty for the party's foremost representatives to participate actively in the field and to share the work burden with local officials and party members. Norvik gives the following answer on how the Conservative Party will win the election:

"We will win the election by making clear that the main problem in the Norwegian economy, inflation, is well on the way to being solved. Now we can see progress in large sections of industry. The growth is increasing, and this growth must gradually be used to make a priority of objectives. Here I would like to mention health and social policy, research and education in the broadest sense.

"It is our goal to cover People's need for security; therefore efforts must be made in areas that provide growth and increased employment. It is important to stress that the challenge today is not that there is too little demand for goods and services in Norway, but that the demand is too great an extent is for foreign goods and services. We produce too expensively in Norway.

"Therefore the unemployment problems will not be solved by the uncritical use of a few extra billions from the oil income. If we do that, we will repeat the Labor Party's great mistake of the 1970's, with runaway inflation, weakened ability to compete, and unemployment as the result. A short-sighted joy over more money will destroy what we have achieved and create the need to again start a long-range repair job."

What place will tax questions have in the Conservative Party election campaign?

"No one needs to remain in doubt that tax policy will be a central element in the Conservative Party election campaign. This is of course one of the areas where the difference is clearest between the Conservative and the Labor Party.

The tax commission's proposal will certainly characterize the debate, and I notice that statements are already being made that the Conservative Party should be reluctant to compromise. There is probably no other party that has shown such a will as the Conservative Party has to seek out joint solutions. But things should not go so far, some clearly believe, that peace is best at any price.

"If the Conservative Party is to cooperate on tax policy, it must be for a policy that rewards initiative and furthers saving and growth," Norvik said.

9124

CSO: 3639/141

BRIEFS

CONSERVATIVES GAIN IN POLL--The Conservative Party is strengthening its position and can again register a support of 30 percent. This comes from the last opinion poll the Norwegian Opinion Institute has done for AFTENPOSTEN. The Conservative Party has had an increase of 1.5 percent since May, while the Labor Party has declined from 40.3 to 39.3 percent. Together the Labor Party, the Socialist Left Party, and the Liberal Party have a following of 49.6 percent. The three nonsocialist government parties have together 43.6 percent support. [Text] [Oslo AFTENPOSTEN in Norwegian 14 Jul 84 p 3] 9124

9124

CSO: 3639/141

IMPORTANCE OF INTENSIFYING RELATIONS WITH AFRICA

Portugal: Crossroads of Cooperation

Lisbon DIARIO DE NOTICIAS in Portuguese 14 Jul 84 p 6

[Editorial: "Obligatory Crossroads"]

[Text] It is particularly significant that, on the same day, the president of the republic met with the president of Guinea-Bissau, consulted with the leader of Zaire and received the special envoy of the Mozambican president. Africa--and not just Portuguese-speaking Africa--is necessarily making Lisbon a crossroads in its travels, although there is a theme and a "raison d'etre" in the whole process of rapprochement with the new Portuguese-speaking African countries that probably has nothing to do with the curious rapprochement that has been observed in recent months on Zaire's part. Without disregarding the weight and importance of the Portuguese community settled in Zaire, the fact is that this is a Francophone country and its politics, society, culture and economy have developed up to now, directly or indirectly, within the Elysian sphere. Hence the fact that, within the short space of 6 months, the Zairian president has already visited our country three or four times might be interpreted as simply a matter of personal good will and may well go beyond reasons of state into reasons of a private nature.

It has been 10 years since we withdrew from Africa and, after the impasse that characterized the early days following the proclamations of independence, there has been a real rapprochement between our country and the countries that were born in Africa as a result of our centuries-old presence there. Above all, there is a mutual commitment to cooperation and interchange--cultural and commercial, economic and technical--to the advantage of both parties.

The state visits effected by the president of the republic and all the other government missions can be seen in this context and--with one exception, the Angolan president--they have already been reciprocated.

From the outset, Portugal was in a privileged position in relations between Europe and Africa, starting with the fact that it was the last of the colonizing countries to leave the continent and, for this very reason, the one which had the latest view of the problems and the life style and leadership of the Africans--not forgetting the fact that, despite all the mistakes that plagued it, our

colonization was the one with the largest portion of humanism and people-to-people rapport. In that area, we undeniably took the laurels from any of the other European countries that had interests or actually ruled in Africa at any time. Now that our colonies are independent, it would be too bad if we lacked the know-how or did not manage to capitalize on the human investment made in them during 5 centuries.

The fact is that we almost missed the boat in Africa-- because of indecision, for want of initiative, perhaps also because of neurotic fears that we might come to be accused of neocolonialism.

At the moment when Portugal seems, finally, to have its hand on the latch of the EEC's door, our role as a connecting point between Europe and Africa naturally assumes singular importance--for both sides, obviously. If the Europe of the Ten--soon to be Twelve--is intensely interested in the African market, it is equally sure that Black Africa--so-called southern Africa, in particular--has a lively interest in an alternative that would free it from its dependence on South Africa, which has been unavoidable.

Exports from Pretoria to the rest of the Black Continent, especially to its neighbors, annually exceed \$1 billion. One of the major concerns of the new southern African states is, understandably, to escape from this dependence and to counter the apartheid regime's strategy of economic and technological domination. The EEC knows this perfectly well--it is not by accident that the EEC has been wooing all these new African countries.

Aside from the projects in which Portugal is directly involved as a result of accords already signed in various areas of cooperation, the fact is that we are increasingly becoming the obligatory intersection for the crossing paths of one of the most important and sensitive zones of the African continent.

It would be well for us to be perfectly aware of this and of the responsibility which it implies for us. We cannot run the risk of clumsily and disastrously allowing these paths to be diverted in the future to some other easier and more friendly crossroads.

Sensitivity to African Affairs

Lisbon A TARDE in Portuguese 13 Jul 84 p 8

[Editorial: "Two Thorns"]

[Text] For reasons too obvious to go into here, we Portuguese are particularly sensitive to everything that happens in Africa. We were there for hundreds of years, and history has made it increasingly clear that we were not the colonialists that pseudo-revolutionary demagogues accuse us of being. We mingled with the natives, we shared in their lives and one day we left, with the flag furled and with great sorrow in our hearts. It is this sorrow, incidentally, which still prevails, calling up the emotion with which we frequently read the news reports from Angola and Mozambique, for example.

There are ties that are difficult to break. When the Luanda and Maputo regimes and the press which disseminates their positions condemn us for alleged interference in their internal affairs, they are simply seeking to deny the reality of a bond between their people and our people, a bond which, no matter how much one tries to spirit it away, will endure as long as the memory of many shared centuries endures.

Hence it is not surprising that the most recent news reports of events in Mozambique and Angola are causing the Portuguese to become more and more concerned. In Luanda, according to the latest reports, there has been a series of executions of opponents of the regime, which has already lost "control" of most of the territory, now dominated by UNITA [National Union for the Total Independence of Angola] and the FNLA [Angolan National Liberation Front]. These executions, in a country where they were unknown when it was a part of Portugal, have naturally stirred our emotions, as they will certainly stir those of the Angolans, who have not forgotten the Portuguese presence and contrast it sadly with the Cuban-Soviet occupation.

In Mozambique, despite the evidence of Samora Machel's political realism, the fact is that thousands of people are suffering the nightmare of deportation, famine and the most unbelievable outrages.

Angola and Mozambique will be the thorns buried in our collective conscience for many years to come. Please don't expect us to ignore them!

6362

CSO: 3542/85

ALIGNMENTS, TRENDS WITHIN PSD ANALYZED

Lisbon TEMPO in Portuguese 12 Jul 84 pp 8-9

[Article by Luis Marinho: "'State of Health' of the PSD"]

[Text] With the holidays approaching, the politicians--like any other citizens--are saving the tactics and strategies "for October" and are thinking now about the beach and the supreme pleasure of the "dolce fara niente." The PSD [Social Democratic Party] does not break the rule but, more than any other party, it will be putting off problems. Divided into three parts after Braga, the trends have not been softening but firming up, evidence that something is going badly with the current leadership. Mota Pinto continues to be the target of severe criticism from the opposition factions--and not just these factions; members of his political leadership have already begun to distance themselves from him. Is the PSD an ailing party? Or, on the contrary, are such disagreements--constant among the Social Democrats--proof of its vitality? What is the "state of health" of the PSD?

When, in March of this year, Mota Pinto mounted the rostrum of the Teatro-Circo in Braga as the victor of the 11th Congress, he may have been far from aware of how short-lived his triumph would be. "Leader for the term" was the status "imposed" by Marco Rebelo de Sousa and his group, mainly responsible for the victory of the professor from Coimbra. After 3 months, the breakup of the PSD leadership team is already evident, whereas the opposition factions are consolidating. The last National Council was proof that the leadership of the Social Democrats is increasingly dependent on the willingness of the opposition groups to maintain it--to overthrow it at the proper time.

Who Supports Mota Pinto?

At the moment, at the level of the Political Committee [CPN], Mota Pinto has the unconditional support of Armando de Azevedo, Calvao da Silva, Eugenio Nobre, Brochado Coelho and Montalvao Machado. Early on, Angelo Correia, one of the vice presidents, began to show signs of dissatisfaction with Mota Pinto's "half-hearted" action. Known to have the gift of political prescience at medium range, Angelo Correia is always a "barometer" to watch. The alignment of the Social Democratic vice president became clear with the recent process of "government

remodeling," which he tried but did not manage to control. Incidentally, as is known, the remodeling itself--pledged and almost decided--did not come about. The confused process caused the disenchantment of other members of the CPN: Rui Almeida Mendes (vice president), Leonor Beleza and Mendes Bota. Even Secretary General Antunes da Silva, although he adopted a cautious position, was also concerned about the way the whole process unfolded. For his part, Rogerio Martins vehemently criticized the government's action in the last National Council, separating himself from the leadership. One name remains for this "alignment of positions": that of Rui Machete, the number two man in the PSD. The least that could be said is that the disenchantment has already touched him. Some opposition eyes are turned on him, with the idea of launching him as Mota Pinto's successor.

If some leaders have almost abandoned Mota Pinto already, the same cannot be said of his team of "advisors," and here we establish two categories. At the level of immediate or medium range action, Calvao da Silva and Bingre do Amaral are the pontificators.

They both have a seat in Gomes Teixeira; Calvao is assistant secretary of state. As we said, they are responsible for the fine points of tactics, some of which have produced very poor results, as we shall see later.

The elite body of advisors to Mota Pinto consists of three figures: Barbosa de Melo, Proença de Carvalho and Jose Manuel Casqueiro. The major decisions of the PSD leader must pass through these advisors. This is a basic problem for the PSD--Mota Pinto's tendency to decide everything without hearing out his Political Committee.

Incidentally, this is one of the internal criticisms of Mota Pinto: excessive individualism. Another criticism is his constant failure to attend meetings of the Permanent Committee. A question is pertinent here: Who insures the day-to-day management of the PSD? The answer points to two names: Rui Machete and, obviously, Secretary General Antunes da Silva. But a third name should not be forgotten: Angelo Correia, who has his office in the Buenos Aires headquarters. It is common knowledge that he is the one most sought out.

Tactical Failures

As we said earlier, in recent times some of Mota Pinto's advisors have taken the cake for ineffectiveness. In about 6 weeks, the PSD leader saw himself involved in two completely avoidable "accidents." The first was the support for the candidacy of Sousa Tavares for the Lisbon district. The result: a resounding defeat at the hands of Pedro Santana Lopes, a powerful individual from the faction headed by Marcelo Rebelo da Sousa. Then there was the controversial decision to dismiss the civil governors of Braganca and Faro. Result: a retreat before the threat of a violent reaction from the opposition connected with Mota Amaral. The man who dreamed up these tactics was always Calvao da Silva.

Strategic Mistakes

Another strategy, much more complicated, ended in failure. This was the governmental remodeling, theoretically launched by the PSD. If the launching was

theoretical, the remodeling itself was a pure abstraction. All this after the Social Democrats had presented "tough demands" to the PS [Socialist Party], notably the famous communique of 14 May, drafted by Angelo Correia with Mota Pinto's "approval by telephone," which declared that "the PSD has for some time been calling the Socialist Party's attention to the need for a government remodeling that would include changes in the government structure..." and ended by calling for a summit conference for the following day. The communique greatly irritated Mario Soares. In the end, no remodeling was forthcoming. Instead of an overhaul, the PSD agreed with the PS to carry out "structural measures" over a 2-month period (which ends at the end of this month). The most controversial measure--labor legislation--will not be effected in this period. What will Mota Pinto do then?

In the Opposition Court

Here the PSD's internal opposition enters the game. Although the party leader was "excoriated" in the last National Council, once again, no one offered himself as an alternative. Marcelo Rebelo da Sousa's group--"Nova Esperanca"--expects the Mota Amaral faction--the "major minority"--to do this, but when this group launches its attack, Marcelo will oppose it, as he did in Braga. Why? "Between two enemies, choose the weaker one": this is Marcelo's theory. So he chose the "predominantly weaker." A matter of politics.

Marcelo: To Win Credibility

"Nova Esperanca" merits some consideration here. Initially a Lisbon faction, it has managed to spread beyond its "geographical space." The person of Marcelo Rebelo da Sousa is particularly admired by the party youth, but this does not mean that he has already won any marked influence in the JSD [Social Democratic Youth]. However, in its attempt to raise the standard of Sa Carneiro higher than the others, "Nova Esperanca" has been achieving some positive results. Braga was real proof of the strength of this group, since it was responsible for Mota Pinto's victory on a point which the group itself considered vital: the vote on the proposals for revision of the statutes.

Where does the strength of this group lie, with its tiny number of cadres? Is Marcelo Rebelo da Sousa the driving force? Two points should be noted. "Nova Esperanca" is the only faction which asserts itself as a trend and, primarily, which offers an alternative political program. It is no news to anyone that "Nova Esperanca" defends the theory of bipolarization, with the PSD bringing the Right together against a leftist bloc led by the PS. This is a clear program. Despite frontal opposition from the "central bloc," the group still argues for maintaining the current coalition--for tactical reasons--until the presidential election in 1985. This is not a contradiction; it is clear recognition of the present lack of any alternative and, above all, of the high cost of the fall of the government at this point.

"Nova Esperanca" is looking ahead 2 years, if events do not precipitate a change before then. Meanwhile, the opposition declares that many more years will have to go by before Marcelo is a "viable option."

Precisely, as long as it takes to win political credibility.

Indecision in the 'Mota Amaral Group'

In the Mota Amaral "zone," the situation is also quite unclear. This unofficial "trend" is notable for its indecision, a characteristic which it demonstrated in Braga. Since then, it has figured at two levels: at the party level, the man for whom this trend is named is unwilling to do anything at all. Mota Amaral is not going to fight for the leadership of the party; he has another goal. Joao Salgueiro and also Antonio Capucho are available to lead the party.

Another aspect that is undecided is Mota Amaral's possible candidacy for the presidency of the republic. Even if it appears less and less feasible, it is certain that this "political factor" united the group and keeps it together. And what will happen when Mota Amaral says he will not run, or when this becomes self-evident? Will the group remain united or, at that point, will the party leadership have won? These are questions for which there are no answers at this time.

Another significant detail is Pinto Balsemao's tie with this group. The former PSD leader and former prime minister might end up as the leader of the group, or, on the other hand, Pinto Balsemao may want to return to Portuguese political life by the "big door," without subjecting himself to party tests. If this is the case, when will he do it?

Without answering this last question, let us move on to the 1985 elections. What strategies exist in the PSD?

Four Presidential Possibilities

Since it has been confirmed that Mario soares will run for the presidency of the republic, the Social Democrats will have to go it alone; the idea of backing Mario Soares has no support whatever in the PSD rank and file.

The first possibility is that, before Soares announces his candidacy, Mota Pinto will invite the Socialist leader to join in an electoral pact: a common non-party candidate. If Mota Pinto makes this play, he will win points and, above all, he will have the justification for a possible rupture: "We sought an agreement, but they (the Socialists) did not want one."

The second possibility is that the PSD will go with its own candidate. Within this possibility, there are two alternatives: either a candidate intended to win, or simply one to make Soares "take notice." Regarding the first alternative, Mota Amaral appears again as a possibility. With respect to the second alternative, such names as Leonardo Ribeiro de Almeida, Barbosa de Melo appear, or even--as a remote possibility--the name of Mota Pinto.

A third possibility is a candidate above parties, supported by the PSD. It appears to us that it would have to be a military officer. Several names are possible; we only mention Fermino Miguel.

The fourth possibility: a "superparty" candidate supported by several parties to the right of the PSD. This would be a kind of resurgence of a new AD [Democratic Alliance], supporting a prestigious name. According to the defenders of this theory, the ideal would be a military officer outside the government, and they supply the name: Marshal Spínola.

'Outsiders'

This space is necessarily too brief for an exhaustive analysis of the situation of a party like the PSD, with such complex internal relations, a party which currently has, as "outsiders," such names as Francisco Balsemao, Cavaco Silva and Eurico de Melo. "Outside of everything," but always active, is Alberto Joao Jardim. Almost ready to drop out is Helena Roseta. Virtually out of the political scene are Vitor Crespo, Meneres Pimentel, Viana Baptista and Nascimento Rodrigues. These are important names to a party that needs "all the people."

Are these symptoms of a serious ailment? Or simply the "Portuguese malady"? We leave it to the "doctors of politics" to make the pronouncement.

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CSO: 3542/85

FREITAS DO AMARAL: POSSIBLE OCTOBER CANDIDACY

Lisbon EXPRESSO in Portuguese 14 Jul 84 pp 1, 20

[Text] Freitas do Amaral should be the first member of what they call the "democratic camp" to announce his candidacy for the 1985 presidential election, EXPRESSO was told by a member of the committee to support the former CDS [Social Democratic Center Party] leader, which is headquartered in Porto. The expressed desire for Freitas do Amaral's early entry into the race for Belem is apparently the result of the way his supporters have been thinking, to adapt their strategy to the reports about the possible candidacy of a military figure capable of mobilizing significant segments of the electorate to the right of the PS [Socialist Party], perhaps Gen Firmino Miguel.

According to Rui Cernadas, former vice president of the JC [?Centrist Youth] and one of the most active members of the Freitas support committee, "a military candidate is not desirable, but if one should emerge, it is not going to change anything.

"Whereas Freitas do Amaral symbolizes clarity, bipolarization and a refusal to compromise, a military candidate would simply prolong the transition period and recycle compromise formulas that have failed," Rui Cernadas explained to us, adding: "When the AD [Democratic Alliance] decided to support Gen Soares Carneiro, it was clear that, if he won the election, he would have to be the last post-25 April military president." Cernadas concluded: "The conditions have been there for a long time to have a civilian as president."

Miguel Limits Possibilities

Cernadas recognized, however, that "if Firmino Miguel runs, it could in fact raise some new questions" regarding the decision of the former CDS president, but he feels that "if Freitas do Amaral is the first to come forward, then the others will have to reconsider his candidacy."

Members of the support committee are also inclined to downplay other obstacles that will come up in Freitas' path to Belem. In fact, the recent CDS profile describing the candidate whom it would support is seen as "not ruling out Freitas do Amaral or limiting his possibilities."

A spokesman for the Freitas support committee told EXPRESSO that he did not expect any new development until September, but that, "from all indications, in that month, or in October, at the latest, Freitas do Amaral will announce his decision or at least the sense of that decision." In his opinion, this would be the desirable moment to launch the campaign, so as to insure the above-mentioned head start.

The support committee will step up its activity after the end of August, forming local committees in support of the Freitas candidacy. These committees will work on such initiatives as petitions and other appeals to the former vice prime minister to enter the race. They will also organize rallies at the municipal level. From what is known, the support committee has concentrated its action in the metropolitan area of Porto, in the region of Basto, in zones of the Ribeiro interior (such as Celorico and Mangualde), extending southward to Caldas de Rainha, Santarem and Cascais.

From all indications, the support committee has the full agreement of Freitas do Amaral, since its driving force, Elidio Fernandes, is very close to the former CDS leader and always accompanies Freitas on his trips to Porto. Azevedo Coutinho, another "Freitista" in the CDS, is seen as the major figure behind the activities of the support committee.

Reason for Postponement

Meanwhile, a Freitas supporter in Lisbon confided to us that one of the reasons which led Freitas to put off a final decision had to do with the low impact which the support committee in the north has had on important sectors and figures. On the other hand, he is concerned about the possibility of a military candidacy; more precisely, the already announced candidacy of Firmino Miguel.

As for the reports regarding a survey commissioned by Freitas, which would place the CDS voters to the left of Freitas, a member of the support committee described the reports as "an attempt to back Freitas do Amaral into the Right, perhaps seeking to take advantage of his withdrawal from political life." He added: "The CDS will never be able to elect a candidate on its own, whereas a "supra-party" candidate like Freitas do Amaral would certainly win sympathy from several quarters, namely segments of the moderate Left."

EXPRESSO has learned that the Freitas survey, conducted about 6 weeks ago, gave an absolute advantage to Maria Lourdes Pintasilgo, who would win the support of half the Socialist voters.

Freitas do Amaral emerges in second place, with twice as many votes as Mario Soares and four times as many as Mota Pinto. If the PDS leader is not a candidate, the poll reveals that Freitas would take the majority of his votes.

CDS SEEN SUPPORTING FIRMINO MIGUEL

Lisbon EXPRESSO in Portuguese 14 Jul 84 p 3

[Text] The CDS [Social Democratic Center Party] would appear condemned to woo Professor Freitas do Amaral.

The explanation for this is as follows: before Freitas do Amaral abandoned the party, the CDS was a respected force, it had political influence, it made its voice heard, it had more than 15 percent of the electorate behind it and the trend was upward; after Freitas do Amaral left the party, the CDS ceased to be a voice, it lost all its capacity to influence events and its constituency declined to 10 percent.

In light of this, the CDS could only turn to wooing Professor Freitas do Amaral and persuading him to resume leadership of the party.

If this were demonstrated to be impossible, it would remain for the CDS to support his presidential candidacy--once again associating the image of the party with that of its former leader, seeking in this way to get across to the country the idea that both continue to do well and that one cannot survive without the other; in other words, to give the country the idea that the CDS has not disowned Freitas do Amaral and that, sooner or later, he will have to come back to the party.

Obviously, this possibility would not please Lucas Pires.

No political chief likes to see tears shed for his predecessor.

The first thing Marcello Caetano did was to try to make the Portuguese quickly forget Salazar, which is natural.

In the same way, the last thing Lucas Pires wants is to have to support the candidacy of Freitas do Amaral in 1985.

For some months, however, everything seemed to indicate that Pires would have no choice. Now an alternative has emerged. It was Mota Pinto who provided the life preserver.

Actually, when it began to be seen that Mota Pinto planned to have the PSD [Social Democratic Party] support the candidacy of Dr Mario Soares, Lucas Pires saw his chance.

This way: if the PSD leadership supports Soares, the CDS then has an enormous opening, all the way from the Social Democratic area to the extreme Right.

Under these circumstances, the candidate who will interest the CDS will not be one from its political area, but another figure, more "leftist," who might be able to garner votes among the PSD electorate.

This figure, naturally, could not be Freitas do Amaral.

Who would it be, then?

It could, very simply, be the candidate who has already offered himself to the PSD and whom Mota Pinto will apparently turn down: Firmino Miguel.

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CS0: 3542/83

ALLEGED EANES RESIGNATION TO OPEN WAY FOR 1985

Resignation Rumor

Lisbon TEMPO in Portuguese 19 Jul 84 p 6

[Text] Eanes will resign in October in order to run again in December 1985; this is the "word" flying from mouth to mouth in northern Portugal. By means of a constitutional loophole, Eanes could renounce his presidential mandate in October and run for the presidency again in 1985. According to the basic text of the constitution, a president who has served two successive terms may not be a candidate. If Eanes resigns, his second term would not be complete, which would leave the door wide open for constitutional conjecture and juridical interpretation of the articles of the Basic Law. We shall see.

No Denial Issued

Lisbon TEMPO in Portuguese 19 Jul 84 p 24

[Text] The Presidency of the Republic is quick with denials and letters to the newspapers whenever the latter publish news reports that are seen as inaccurate or assessments that are considered unjust. Hence there is general perplexity regarding the lack of any reaction to the news report published by the Efe Agency [Spanish Press Association] regarding the general's resignation this coming October. Could it be that silence means assent, or is it that crazy talk falls on deaf ears?

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CSO: 3542/87

FIRMINO MIGUEL: PROFILE FOR 1985

Lisbon O JORNAL in Portuguese 26 Jul 84 p 10

[Article by Cesario Borga]

[Text] Is Firmino Miguel destined to occupy the political posts for which he is seen as a possible candidate? People who are well acquainted with the current vice chief of the Army General Staff are convinced that this would be difficult, in view of the conditions which the general has been imposing, ever since 1974, for his acceptance of any "candidacy." He has never shut the door in anyone's face, but when "H-hour" arrives, he carefully weighs what he is offered, a friend of Miguel told us. Some people feel this is a well-thought-out strategy, and some feel it is behavior typical of a hesitant man who will never be anything more than a candidate for a candidacy.

Firmino Miguel was defense minister under four administrations (the first and second provisional governments and the first and second constitutional governments); but before, during or after these stays in what was then an almost symbolic ministry, he was never the cause of any speculation or controversy. Except for the discussion raised in 1978 by the premature announcement of a draft bill on defense, Firmino Miguel was an obscure minister. What has thrust him into the limelight has been the candidacies, or simply the possibility of candidacies.

In 1974, when he went into the first provisional government under Professor Adelino de Palma Carlos, the press presented him as Lt Col Mario Miguel, one of Spínola's trusted men. In July of that year, the name of Firmino Miguel was thus remembered by most Portuguese. Spínola put forward his name to succeed Palma Carlos. For several days the journalists would not let go of him. His name appeared on the front pages of all the newspapers, even though, in his statements on radio and television, he sounded like a man with little appetite, who suddenly feels that a lot depends on him.

He did not disguise his hesitation for the reporters; he asked himself publicly if he had the ability to handle duties of such responsibility; but he never ruled out the possibility of being named prime minister. The Coordinating Commission of the MFA [Armed Forces Movement] Program was prepared to give him

the benefit of the doubt, but was far from offering him firm support. This being the case, Firmino Miguel concluded that he should retreat. He later said that "the conditions were not there for me to be prime minister."

Closer to CEUD, Supported CDE

This absence of solid conditions was naturally linked to the weakened power of General Spínola himself. The members of the Coordinating Committee had nothing against Firmino Miguel, except that he was a man in Spínola's confidence and had never belonged to the MFA. In 1973 and during the first months of 1974, Firmino Miguel was in Paris, attending the Ecole Supérieure de Guerre, and followed the activity of the captains only through some documents which were reaching his hands.

He had, however, a history of political intervention on the side of the opposition, which placed him in an unassailable position regarding any commitment to the previous regime. He discreetly supported the candidacy of General Delgado; he took part in the preparatory meetings of the 1959 conspiracy; and in 1961 he was connected with "Abrilada," led by Botelho Moniz. In 1969 he supported the CDE [Democratic Electoral Commission], although he later admitted that this was an "error of political judgment," because he felt he was ideologically much closer to the CEUD [Electoral Committee for Democratic Unity].

Later, he was with Ramalho Eanes, one of the major promoters of the opposition to the so-called "Congress of Combatants," which the dictatorship was manipulating for political propaganda purposes.

Firmino Miguel did not become prime minister in July 1974, but he kept the post of defense minister in the first Vasco Gonçalves government. Thus he awaited the development of events, sitting it out on the substitutes' bench. However, his political future was too closely linked to that of Spínola, and Miguel would not even think of dissociating himself from Spínola after 28 September.

In a later assessment of the event, he considered Spínola's resignation speech controversial, although he concluded that the stand by the general with the monocle was proof of his rectitude.

Miguel perceived that, after Spínola's fall, the environment was not favorable for men who had supported Spínola and he was able to maintain enough distance to avoid becoming too involved, to the point that he was never directly harassed, not even after 11 March 1975 (which found him on the point of leaving for Angola, and he did not return from there until 8 November 1975).

Distinguished secondary Figure

After 25 November, he was very close to Eanes, who at that time was CEME [Army Chief of Staff], and he laid the groundwork to resume a slow, cautious and secure ascent, which apparently has not ended yet. He clearly understood that the political activity of a military officer depends on how justifiable it appears to the government and to public opinion.

Miguel was quickly resuming his place as a distinguished figure, albeit secondary, well within the circle of Ramalho Eanes. In fact, he was a member of the political committee which handled Eanes' campaign, and following the presidential elections he returned to the Defense Ministry in the first Soares government, when it was no secret to anyone that the post could only be filled by an officer closely trusted by the president of the republic, who was then the real and only "boss" of the Armed Forces.

Even before the presidential elections, Miguel was--as almost always happened--candidate for a post, that of army chief of staff, which would be vacant after Eanes was elected president of the republic, and again--as always happened--Firmino Miguel did not assume the post which, for months, he had been expected to occupy.

Defense minister again in the Second Constitutional Government, Miguel prepared to return to the ranks. He knew that this was the proper place to wait for the next opportunity. It was no accident that, while he was still minister, it was reported that he had requested command of a unit; this was an essential step for promotion to the rank of brigadier, a promotion which would later guarantee him the rank of general, very necessary for anyone who was still saying that he was basically proud to be a military officer and even "to have been awarded the highest military decoration." Firmino Miguel was laying the groundwork to return to the barracks, but not to silence.

Ducked Question

A scene identical with that of July 1984 was repeated 4 years later. The defense minister of the outgoing government was insistently mentioned for prime minister of the first presidential government after Mario Soares was sent down.

In 1978, the name of Firmino Miguel was among those mentioned most at the meeting of the Revolutionary Council, convened to advise the president on the appointment of the new chief of government. It was said that Firmino Miguel was receptive to the idea and, publicly, he would say neither yes nor no.

Asked the question by a member of the public, as reported in COMERCIO DO PORTO, Miguel said, smiling: "I duck this question whenever I can," adding that this was a post for a politician. The questioner reminded him that this was precisely his advantage. He smiled again and would say nothing more.

In fact, Firmino Miguel knew very well that it was an advantage. Still, it was Mota Pinto who became prime minister and Miguel went on to lecture at the Institute of Advanced Military Studies.

A year later, with the AD [Democratic Alliance] in power, his name surfaced again as a possible coalition candidate for the presidency. Once again, the now brigadier general did not rule out the possibility of a candidacy, but he waited to be asked, so he could dictate the conditions. The AD opted for Soares Carneiro, but 2 years later Sousa Tavares publicly admitted that it had been a mistake and that the candidate should rightly have been Firmino Miguel. More recently, there has been much mention of Firmino Miguel as a possible replacement for Melo Egidio as CEMGFA (armed forces chief of staff)

or Garcia dos Santos as CEME. (Incidentally, Garcia dos Santos was the number three man, although in military circles it was said that he was among those who were most opposed to [Miguel].) In the end, Miguel was neither CEMGFA nor CEME. He was only the vice-CEME.

A year away from the presidential elections, here he is again--Firmino Miguel, the candidate for the presidency; the weekly O PAIS (which enthusiastically defended his candidacy back in 1980) has said he will accept the PSD [Social Democratic Party] nomination. Once again in no hurry, without closing any doors, he is waiting for developments. Those close to him rule out the possibility that he would accept a candidacy which did not have the support of the PSD, the CDS [Social Democratic Center Party] and the PS [Socialist Party], which implies that he would not run if Soares or Freitas do Amaral were in the race. If the implication is correct, Firmino Miguel runs the risk of being set aside for another opportunity.

Follow the Leader

According to those who know him well and even to his former career colleagues, Firmino Miguel is an individual with a special knack for making friends. Throughout his military career and his political life, he has always been linked with a leader, more than with a movement with a diluted leadership like that of the MFA. Initially, at the end of the 1960's he was a sympathizer of Delgado. In the early 1970's he was an unqualified Spinoza supporter, for whom he was chief of operations in Guinea.

Then he became an "Eanist," and later he distanced himself from Eanes (some say that, at the end, he quietly backed the candidacy of Soares Carneiro, who is also an old friend) and paved the way for his own opportunity.

It is significant that, throughout the entire PREC, unlike other military officers close to Spinoza, he always protected his military career, knowing how to efface himself during periods when things were not going well for the "Spinolists" and reappearing when the danger was past.

It is because of all this that, among people who know him, there are those who would hesitate to conclude that this ability is not the result of excessive caution, which, in politics, can be fatal. If this is the case, Firmino Miguel could appear again many times among new levies of candidates for high political offices, but it could be his fate never to be anything more than a "possibility."

Two Documents, Two Controversies

In the political-military activity of Gen Firmino Miguel over the last 10 years, two important controversies stand out--the result of two documents drafted in the exercise of his functions.

First, in 1978, when he was defense minister, Firmino Miguel authored a draft bill for defense legislation, which was released prematurely. The bill did not please the Revolutionary Council, particularly because it certainly placed some restrictions on the council's action and was considered by most of the

council members to be retrogressive. In leftist circles, the debate finally polarized in support of the internal security system proposed in the draft bill.

The attempt to obtain approval for a defense law did not make any progress, and the bill died when the debate was over. Although the bill was never moved toward passage, Firmino Miguel was pointed out as one of the distinguished military officers who wanted to see the armed forces quickly subordinated again to the civilian power, even if it meant possible damage to the mandate of the Revolutionary Council.

The second debate came up in 1981, regarding the possibility of a unified Iberian command within the Atlantic Alliance. Some years before, General Miguel had drafted a study on the matter, which recommended a distribution of forces between Portugal and Spain. At that time [in 1981], the Spanish minister made some statements based on Firmino Miguel's study, which, in compensation for Portuguese control of a naval command, admitted the possibility of a ground command under Spanish control. This was a 2-year study, drafted when Firmino Miguel was a professor at the Institute of Advanced Military Studies. Circumstances brought the study to the surface when the general was discreetly serving as commander of the Southern Military Region. The study was of some interest, inasmuch as the demo-liberal thinking of Firmino Miguel was revealed in his analysis of the evolution of the two peninsular countries toward democracy.

Except for these two documents, there have been no other speeches in which the general has expressed his thoughts on the great issues that affect the country and the world. Those who know him say he knows very well what he wants, but that he also knows how to be discreet.

In the end, a man who for so many years has been a candidate for the two highest political offices in Portugal must protect his bargaining edge. On one point, however, there is agreement: he is a democrat, and it does not require much effort to prove it.

6362

CSO: 3542/87

PSD'S REBELO DE SOUSA BACK ON POLITICAL SCENE

Political Opinion Expressed

Lisbon 0 DIA in Portuguese 26 Jul 84 pp 12-13

[Text] After a period of a certain withdrawal from political life, Marcelo Rebelo de Sousa seems determined to return to the lime light, and with trump cards capable of worrying his opponents.

In fact, the leader of the "Nova Esperanca" ["New Hope"] movement wants to establish an institute, and he presents an extremely detailed strategy of opposition to the current PSD [Social Democratic Party] leadership, along with several general recommendations for the nation's present situation with regard to political parties.

Yesterday, during an informal luncheon with journalists, Mario Rebelo de Souza and his closest associates, Jose Miguel Judice, Pedro Santana Lopes and Conceicao Monteiro, announced the initiatives developed by his supporters and "disillusioned" those who believed his participation in the internal life of the PDS would be moderate.

Marcelo Rebelo de Sousa's principal revelation was the announcement of the creation of an Institute for Policy studies, "an organization open to all individuals, inside or outside the PSD area, which should take shape in mid-September."

According to the former minister of parliamentary affairs, the new institute will be devoted to "the study of great national issues. The idea for its creation arose some time ago but it has been impossible to bring it to maturity before now."

The Institute for Policy Studies [IEP] will have Pedro Santana Lopes as chairman of the management council. Its funding will come from the charter members, supplemented with receipts from literature published by the new institute.

Government 'Bad'

After announcing the creation of the IEP, Marcelo Rebelo de Sousa referred to the executive branch and, as is his habit, he had harsh criticism for the center coalition solution. "The government is bad, it is getting worse and

worse, but it should remain in power, because replacing it would be even more harmful to the country, particularly in terms of foreign credibility.

"How could we explain to our creditors," Marcelo asked, "that even a government with an absolute majority cannot offer any guarantee of stability?"

Credibility was not the only issue that led the leader of the PSD critics to defend the survival of the present government; in his opinion, the fall of the current executive would lead Ramalho Eanes to call for early legislative elections and give him the chance to resign from office.

The name of Ramalho Eanes was also mentioned by Jose Miguel Judice, who pointed to the possibility that the president of the republic might resign his mandate in October. This possibility does not seem to trouble the Social Democratic leader, however; he does not see an Eanes party as any tragedy and feels that the creation of a presidential party would be an excellent chance for the Portuguese people to express what they think of the president of the republic, "the man most responsible for the situation of the country."

A recent interview granted by Ramalho Eanes to Swedish television was also mentioned by Marcelo Rebelo de Sousa, who said he had "not been surprised" at Eanes' decision to remain involved in political activity.

Marcelo Rebelo de Sousa does not see any great future for the political party being hatched inside the CNARPE [National Action Committee to Reelect President Eanes] and he added that the new party would suffer from the same ills which plague the forces that constitute the present political party picture. The disagreements that have already been observed in the Eanist ranks prove that the new party is fated to follow in the footsteps of those already in existence.

Jardim to Belem

Ramalho Eanes was the ideal point of departure for a discussion of the presidential candidates. As is always the case with the strategy of Marcelo Rebelo's group, the position remains unshakeable: Joao Jardim continues to be the only individual who possesses the ideal characteristics to be offered as the PSD candidate for the 1985 presidential elections.

Referring to the "availability" of the Madeiran leader (who, in Braga, reacted nervously to the motion of the nucleus led by Rebelo de Sousa), [de Sousa] declared that "up to now, Joao Jardim has not said no," which leaves his candidacy open.

PSD and Preisdential Candidates

In his analysis of the PSD's current internal situation, Rebelo de Sousa alluded again to the presidential candidates, reiterating that his party must decide on the matter quickly.

"Support for Mario Soares is out of the question, and indicating a military candidate is inadvisable."

Noting the presidential strategies of the three major movements that were present in Braga, Rebelo de Sousa said that his was the only one which remained unchanged. "Mota Amaral was counting on his candidacy, but his supporters are abandoning him, and at this point his movement is personified by Joao Salgueiro. As for Mota Pinto, who chose to put off the problem, he is now faced with divergencies among his supporters and some of his supporters disagree with his strategy."

Intense Activity

"August and September will be months of intensive work, and we are going to the next PSD national council with alternative proposals."

This "promise" from Marcelo Rebelo de Sousa is based on a huge pile of initiatives which his movement is preparing, which include the creation of 12 working groups, responsible for drafting "proposals for the structural changes which Mota Pinto promised but which are unlikely to be forthcoming.

"The majority," said de Sousa, "will go to the next national council relying on improvisation and are not going to present specific proposals."

In addition to the working groups, Marcelo Rebelo de Sousa also reported that his movement is going to hold several meetings around the country, responding to requests by many Social Democrats.

These invitations are a "symptom of vitality and prove that our movement is winning more followers," Rebelo de Sousa concluded.

Goal: PSD Leadership

Lisbon DIARIO DE NOTICIAS in Portuguese 26 Jul 84 p 3

[Text] Marcelo Rebelo de Sousa, who leads a minority but very active faction within the PSD, declared yesterday in Lisbon that, "obviously," he would offer himself as president of his party.

The young Social Democratic politician believes that, in the PSD national council to be held in late September, any proposal which Mota Pinto might present to support Mario Soares' candidacy for presidency of the republic "would not be acceptable, even in exchange for the post of prime minister." Nor will Mota Pinto have the support of his group, because Pinto does not meet all the requirements that his group demands of a presidential candidate.

Commenting on the emergence of a new party, Rebelo de Sousa said it would be "ideal if the PS managed to pull itself together and take its place as a party on the Left, because it does not have the vocation to be a party on the Right."

Judice Leader of Nova Esperanca

Lisbon TEMPO in Portuguese 26 Jul 84 p 6

[Text] Marcelo Rebelo de Sousa has finally decided to "open the game," stating clearly that he wants to be the "leader of the PSD." This intention is no news

to anyone, but this is the first time that Marcelo Rebelo de Sousa has stated it publicly. Thus, Jose Miguel Judice will be called upon to take over the leadership of the "Nova Esperanca" group, while Marcelo will "soar" above the factions, availing himself of the rhetoric of unity. In the next PSD Congress, Marcelo will offer himself as the alternative. Until then, the entire strategy of the "Nova Esperanca" group will be directed toward this goal. Hence, there is to be no "tearing down" of the current leadership.

6362

CSO: 3542/90

DIAGRAM SHOWS APU, SOARES, CDS RELATIVE STRENGTH

Lisbon O JORNAL in Portuguese 27 Jul-2 Aug 84 p 2

[Article by Jose Silva Pinto]

[Text] Portugal's political scene appears to be contained in a triangle whose vertices are currently the APU [United People's Alliance], Mario Soares and the CDS [Social Democratic Center Party].

This "geometric" configuration results from a "factor analysis of associations" conducted by Marktest experts based on data collected in 6 months of polls by O JORNAL since the start of this year.

With this statistical technique, developed at the University of Paris, the analysis of the data makes it possible to assign relative positions to the entities covered in survey interviews with a representative sample of the electorate.

Thus, as can be seen in the accompanying diagram, these entities are distributed in a balanced way around a point in the center of the diagram, representing the "center of gravity" of the system.

The entities shown are the four principal political forces (PS [Socialist Party], PSD [Social Democratic Party], the CDS and APU) and some other possible presidential candidates who have been most prominent in the Marktest/O JORNAL barometer, namely, Lurdes Pintasilgo, Mario Soares, Mota Amaral and Freitas do Amaral.

Each entity (party or person) is assigned an area proportional to its relative importance, measured by the respective number of potential voters at this time.

Axes 1 and 2 represent the principal vectors of the orientation of the entities studied, with the first clearly oriented in the Left/Right direction and the second showing, above all, the clear opposition that exists between the PS and the APU.

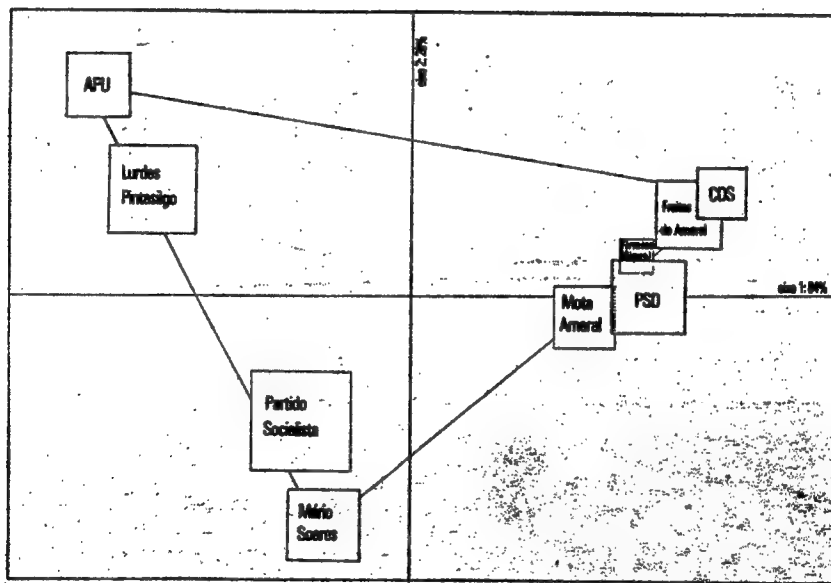
Together, the two axes explain 90 percent (64 percent and 26 percent) of what, for want of a better term, can be called the "variance" of the system, thus leaving only 10 percent unaccounted for.

The factorial analysis under consideration shows that the Portuguese political scene is characterized primarily by an opposition between the Left and the Right, but also by a distinct separation between the two major parties of the Left.

Thus the graphic representation of this reality allows us to "see" how everything takes place in a triangle whose vertices, which are the APU, Mario Soares and the CDS, mutually repel one another like electrical charges of the same sign.

With respect to the presidential prospects identified in our monthly barometers, it can be seen that Lurdes Pintasilgo is located between the PS and the APU, and Freitas do Amaral occupies the space between the CDS and the PSD, while Mota Amaral, although strongly linked to the PSD, appears slightly to the Left, "turned" toward the area occupied by the PS.

As the diagram also shows, Firmino Miguel, a presidential prospect much mentioned lately, appears to "infiltrate" the area of the PSD, threatening the space of Freitas do Amaral.



6362
CS0: 3542/90

POLICE CHANGES TO STRENGTHEN INDEPENDENCE 'IMMINENT'

Lisbon SEMANARIO in Portuguese 14 Jul 84 p 7

[Text] In the coming weeks, important changes could take place in the Judiciary Police, aimed at making this institution more effective and strengthening the independence and impartiality so strongly asserted by its chief official.

There is no question of replacing Carlos Picoito, the present director, who was formerly chief of office of Justice Minister Jose Meneres Pimental and was installed by the justice minister shortly before he left the government.

Changes in the intermediate posts of the Judiciary Police would follow a period of intense public scrutiny because of the so-called case of the "Popular Forces-25 April."

In fact, the Judiciary Police was praised by some for its swift action and accused by others of being less than successful. Above all, there were suspicions that strong influences were being exerted by a party--the Communist Party--within the Judiciary Police.

Two Agencies, Two Versions

Two different agencies have two very different versions of "Operation 25 April."

The Judiciary Police, which was acting under insistent pressure from the government (primarily Mario Soares and Mota Pinto, who were asking for such an operation even before the attack against businessman Freitas de Oliveira, of Marinha Grande), claimed that the agency had relied almost solely on its own efforts to obtain the information leading to the arrests and seizures.

In a press conference held at the time of the operation, Carlos Picoito pointed to this enormous pile of data, gathered by the Judiciary Police itself.

These data led to almost complete success in the arrest action, dismantling "FP-25 April," touching some of its leadership and even reaching Otelo Saraiva de Carvalho.

This is not, however, the view of the intelligence division (Second Division) of the Armed Forces General Staff [EMGFA]. The division, which was sidelined in the operation, notes that it supplied a good deal of information to the

Judiciary Police. According to the division, the operation was only half-successful.

Actually, the documents that were seized were nothing more than propaganda material, without the importance attributed to them. Regarding the arrests, the only operative of any importance was Antonio Pinto Guerra, who has already been released for lack of sufficient evidence. The others were non-operational members of the FP-25 and individuals unrelated to the movement. In particular, there were allegations of ineptitude in the arrest of operatives, several dozen of whom must have left Portuguese territory or taken precautions, with plans to return within a few months.

Who benefits?

Considering the disparity in the accounts, suspicions between the two agencies are inevitable. The Judiciary Police claims "pique" on the part of the "Dinf" (the nickname for the EMGFA's Second Division) and the presence of "Fanists" among its most qualified personnel.

The "Dinf" jokes informally about the self-sufficiency of the Judiciary Police, where suspicions persist of strong PCP [Portuguese Communist Party] implantation.

As for the government, its behavior has been one of careful weighing of the opposing versions. Soares and Mota Pinto wagered on a quick and efficient operation, and Soares did not hide his conviction that ties would be discovered between the FP-25 April and the PCP.

Rui Machete, who at first was less than enthusiastic about the operation, publicly assumed authorship for it with some conviction.

Nonetheless, after the police action was launched, the reactions within the government have taken a somewhat different shape.

Rui Machete (and to some extent Eduardo Pereira) have held that it was successful, and Rui Machete even emphasized the merit of the Judiciary Police.

Mario Soares and Carlos Mota Pinto have been less generous in their public statements; some people interpret this relative silence as indicative of some doubts about the success of the operation.

In any event, the government has not shown any noticeable division for the world to see.

Now that the government has reaffirmed, albeit cautiously, its "political approval" of the action of the Judiciary Police, it is quite possible that it will not be very long before the Executive intervenes, readjusting some structures in the police agency--above all, taking heed of the lessons from its recent performance and its foreseeable success...

BRIEFS

NEW GEOGRAPHIC JURISDICTIONS--The country now has eight new cities, with the entry into effect of the laws passed in the assembly and promulgated by Eanes, giving this classification to the former townships of Ovar, Matosinhos, Mirandela, Sao Joao da Madeira, Vila Franca de Xira, Vila Nova de Guia, Oliveira de Azemeis and Barreiro. At the same time, the settlements of Riachos, Pataios, Rebordosa, Rio Tinto, Baixa da Banheira, Lordelo and Benedita were promoted to the classification of township. The creation of the municipalities of Vizela and Canas de Senhorim, perhaps demanded most insistently by their respective residents, is still awaiting a better opportunity. It should not come up for a vote in parliament during this legislative session. [Excerpt] [Lisbon SEMANARIO in Portuguese 14 Jul 84 p 13] 6362

POSSIBLE SPINOLA CANDIDACY--Following the potential "kickoff" of the candidacy of Gen Firmino Miguel, with broad support in the CDS [Social Democratic Center Party] and the PSD [Social Democratic Party], still another candidacy is appearing on Portugal's political horizon. This is the candidacy of Marshal Antonio de Spínola, who was president of the Portuguese Republic from 25 April to 30 September 1974. In fact, the committee to elect Spínola is forming at the grass roots, not yet linked to any party leadership. The group of citizens who have joined to launch Spínola for the 1985 presidential elections includes military officers and Socialist sympathizers. Meanwhile, from what SEMANARIO has been able to learn, the marshal himself, who broke a long silence with a short and less than distinguished speech during the celebrations commemorating 25 April, has not yet been contacted or even sounded out. It is noted that the vogue for spontaneous committees for presidential candidates is apparently continuing; after the appearance in Porto of the committee to elect Diogo Freitas do Amaral, there now seems to be a similar initiative in Lisbon, although from another political quarter, in support of Antonio de Spínola. [Text] [Lisbon SEMANARIO in Portuguese 14 Jul 84 p 64] 6362

MOTA AMARAL CAMPAIGN GOALS--The Mota Amaral group is still quite active and, contrary to what some sectors would like to have believed, the presidential elections are still its primary objective. In a meeting last Tuesday morning in the Hotel Altis, it was decided that the race to Belem might be the best way for the PSD [Social Democratic Party] to resume its position as a major Portuguese party, and the participants studied some measures to be launched in the coming weeks. The importance of the meeting was such that Mota Amaral himself was in direct contact with it, by telephone. [Text] [Lisbon TEMPO in Portuguese 19 Jul 84 p 6] 6362

FREITAS DO AMARAL PROSPECTS--Freitas do Amaral is retreating from his campaign for the presidency of the republic. After having established contacts with a Portuguese "marketing" and advertising firm, which would promote his public image among the voters, Freitas do Amaral cancelled everything. This means one of two things: either the former CDS [Social Democratic Center Party] leader has dropped out of the presidential race early on, or he prefers to use a foreign "marketing" firm. We shall see. [Text] [Lisbon TEMPO in Portuguese 19 Jul 84 p 6] 6362

CS0: 3542/87

FRICTION, PESSIMISM PERSIST IN GONZALEZ-PUJOL RELATIONS

Meeting Alleviates Tension

Madrid DIARIO 16 in Spanish 24 Jul 84 p 5

[Article by Francisco Frechoso and Carlos Davila]

[Text] Madrid--Felipe Gonzalez and Jordi Pujol met yesterday, 5 months after their last meeting, to iron out differences in the tense relations between the two administrations, especially the lawsuit against Pujol, and to unblock the last stage of the transfer process. Both matters were handled with goodwill but it was necessary not to discuss the matter of the Banca Catalana. At the end, the two presidents were optimistic.

The president of the Spanish Government, Felipe Gonzalez, and the Catalan president, Jordi Pujol, met yesterday morning for 4 hours at Moncloa to improve the deteriorating institutional relations between the two governments because of the "Banca Catalana case." They were also to make an "in-depth analysis" of the major topics pending between the central administration and the autonomous administration.

Jordi Pujol arrived at the Moncloa complex a little before 10 am. With a serious face and determined step, he ignored the reporters congregated there and went into the palace where Felipe Gonzalez was waiting for him. The lawsuit against the honorable Catalan and 24 other former directors of Banca Catalana affected the atmosphere. This along with the cold reception given to the Catalan president and the Generalitat's announcement of a 1 pm press conference seemed to mean a short meeting.

Delay

However, at 1 pm the reporters who waited at the Palace Hotel were told that the meeting was going to run late. It was 1-1/4 hours later before Felipe Gonzalez and Jordi Pujol said goodbye at the door of the palace with a cordiality not seen at the beginning of the meeting.

In an impromptu press conference, the Spanish president revealed: "The meeting has been positive and relations are exactly the same as last year. There is a

desire for these institutional relations to function extraordinarily well and for the indispensable cooperation between the national government and the Catalan government. This would help give stability and coherence to the autonomies."

Banca Catalana

When asked whether the lawsuit against Jordi Pujol for his alleged involvement in the "Banca Catalana case" had been discussed at the meeting, Felipe Gonzalez answered categorically: "Obviously not." He added: "I make a clear distinction between institutional relations and other problems."

As to whether specific questions that affect the Catalan community had been solved at the meeting, President Gonzalez indicated: "We had no intention of solving specific matters. We wanted to see what exactly was the situation and review all the problems. I hope this talk has the same results we had in the fall of 1983 which encouraged a negotiation process and joint transfer committees."

The Catalan president confirmed the president's words about Banca Catalana. He pointed out: "We did not spend even half a second on that topic. We did not say anything about it. This is positive because that topic is not part of the political dialogue. It is a matter for the courts."

Useful

At the press conference Jordi Pujol held at the Palace Hotel after the meeting with President Gonzalez, he revealed his hope that "this meeting will be useful because it opens prospects for effective work together. I think it will have results within 2 or 3 months."

President Pujol indicated that there are still problems or, in other words, "snags. Effectively, agreements have not materialized but this meeting opens an important negotiation process. The president learned about things. It is a positive factor that he wants to go into them."

The president of the Generalitat summarized these pending questions: pending transfers, financing of the autonomous community, social security, autonomous police, legalization of TV-3 and development of laws that very directly affect Catalonia.

Jordi Pujol expressed his idea of the transfer process, denying that it is over in Catalonia. "This is not true. At times the government believes there are things that it does not have to transfer. If the transfers we demand have not been carried out by the end of the period in 1985, we will have to go to the Constitutional Court."

According to Pujol, "there are also different concepts of autonomy. I think the central administration is trying to recover jurisdiction through some of the recent decrees." He gave as an example the appeal against the jurisdiction of the Catalan Court of Inquiry to intervene in municipal affairs.

It can be clearly deduced after the statements by both presidents that none of the specific topics that Pujol brought in his briefcase have been solved. However, it seems that there has been a firm desire to alleviate the tensions caused by the lawsuit against the president of the Generalitat. Also a way to dialogue to solve the problems in the last stage of the transfer process has been opened. This was done without tackling the ticklish question of the lawsuit pending against the honorable Catalan, a main source of friction between the two administrations in recent months.

Has "the Furniture" Been Saved?

We do not even know after 4 hours of conversation (or negotiation?) between Felipe Gonzalez and Jordi Pujol if "the furniture has been saved." I am referring to the furniture in the institutional house. The two presidents icily met for the first time since two major events: Pujol's clamorous victory in Catalonia and, of course, Gonzalez' loss and the lawsuit against Pujol in which the central government and the president participated directly or "indirectly."

Curiously, the two politicians did not discuss either of these two events yesterday, according to their respective versions. The Catalan elections substantially altered the balance of power there so the national government cannot continue to ignore the fact that the Catalan demands were more than the autonomous dreams of a majority party. They were and are the demands of a people who want "to be different" from the rest of the autonomous communities at this point in the Spanish autonomous process.

If "we have not discussed this" or the Banca Catalana, what have Gonzalez and Pujol talked about? Is it possible that the two presidents engaged in a tedious 4-hour discussion merely to chat about LOFCA [expansion unknown], social security or Channel 3 Television? Possibly not, although this is not discarded. It would justify the scant enthusiasm with which the two parties judged the results of a meeting that took a long time. Neither has there been any "unblocking" on important topics which would mean that Pujol and Gonzalez favor an absolutely indispensable understanding for the functioning of institutional relations between the national government and the Catalan Generalitat.

Unless the meeting between Gonzalez and Pujol includes imperceptible secret pacts, it ended without any agreement. It is not enough for Pujol to state that the essentials ("the furniture") have been saved when the essentials are more than mere dialogue or for both speakers to indicate that the institutions come before individuals. At this time in Spanish political life, there is little room for an elemental statement of principles, a statement which will go nowhere, fired off by one side or the other to publicly reveal disagreements. The Spanish president needs to alleviate the autonomous tension in order to recover his lost credibility. This meeting yesterday does not seem to have contributed to this objective.

Pessimism About Future Relations

Madrid ABC in Spanish 25 Jul 84 p 18

[Article by Enrique Serbeto]

[Text] Barcelona--The results of the meeting between Felipe Gonzalez and Jordi Pujol have not surprised the political circles in Barcelona. All the official groups expected a result like this. However, there is widespread pessimism about the future of government-Generalitat relations in Catalonia.

Taking as reference only the news in the press, the socialist opposition feels that "it is not good that these tensions exist. It is not good for democratic stability." It would be necessary "to swallow pride" when beginning dialogue. To the socialists, the matter of the Banca Catalana which Gonzalez and Pujol said they did not discuss "must remain outside." Nationalist circles recognized that most of the coldness was due to the "handicap" of the lawsuit. Some of the Catalan socialists felt, however, that "they have not gone into the problems." Therefore, the results of this meeting were not as positive as they would have liked.

To the sectors of the Republican Left of Catalonia, hostile to the pact with Pujol, this meeting was different from previous ones "because Pujol has not made any over-confident statements and has said something reasonable: that the results will be seen in the coming months." According to these sources, the tension at the meeting would be due more to "the difficulty of the negotiations" than to other unconnected matters like the Banca Catalana lawsuit. "If there is seriousness and political ethics, there is no reason this should influence" an institutional relationship.

Official Popular Alliance spokesmen indicated: "Any contact is good that can help" overcome the underlying confrontation. "It is expected that the work climate announced by Pujol will be positive."

Strategy

Beyond these political evaluations, the development of the Gonzalez-Pujol meeting has confirmed what was already described beforehand. It was obvious that Felipe Gonzalez has accomplished a difficult task, converting this meeting into an institutional encounter. The different matters have been discussed globally and superficially. This would be one of the reasons concrete results were not achieved on any of the many topics that Pujol had in his bulky briefcase. He wanted them to be discussed in depth. Pujol has referred to a term of 2 months to learn whether the results are good or not based on specific negotiations that will be carried out by their specialists.

The top officials of the Generalitat are now waiting for Pujol's guidelines about the strategy to follow in each concrete case. There is one matter especially on which Pujol and Gonzalez might have agreed "to open a way." It is

also one of the topics of greater concern for both administrations. According to indications from top levels of the Generalitat, they could have agreed to send their respective negotiators by the "route" of initial projects by the autonomous administration. This consists in taking 1983 as the base year for evaluation, not 1984.

7717

CSO: 3548/302

MILITARY

GREECE

'SECRET' TALKS ON NATO MERCHANT MARINE

Athens ELEVTHEROTYPIA in Greek 24 Jun 84 p 1

[Text] The security of our merchant fleet in the case of a conflict was the subject of long and continuous talks with the participation of NATO and Greek staff officers which took place in Piraeus.

The defense pact between NATO and Greece provides for the entire Greek merchant fleet to be placed at the disposal of the Atlantic Alliance in the event of involvement of the Western alliance in a war. The payment of the resulting damages was the subject of the talks that were held in the offices of the "Greek Maritime Insurance Against War Damages" on 86 Filonos Street in Piraeus.

The talks, which were held since Tuesday until yesterday, began at 9:30 am and ended at 5:30 pm. The Greek party consisted of a group from Ship Insurance Research headed by Port Corps Commander Leousis. It is not known which other officials of the Atlantic Alliance took part in the talks. The matter was kept secret by both sides.

Despite our "discreet" inquiries with the Emergency Planning Policy Directorate of the Merchant Marine Ministry, under whose sponsorship the talks were held, no official information was released.

9731

CSO: 3521/287

MILITARY

GREECE

AIRCRAFT PURCHASE REPORTEDLY REDUCED

Athens MESIMVRINI in Greek 22 Jun 84 p 1

[Text] It appears that the enormous sums needed for the "purchase of the century" are leading government officials to reduce the number of aircraft to be ordered for the modernization of our Air Force.

Thus--most probably--we are aiming towards the purchase of only one type of aircraft, the American F-18, which at the moment, is considered the best. According to the same reports, the purchase of 40-60 aircraft is being studied. The final decision is expected to be made by the middle of July after a meeting of the KYSEA [Government Council for National Defense].

The government is also considering the purchase of a number of French "Mirage-F 1" (they are the kind that our Air Force already has), the "Mirage 2000" being excluded because of their exceedingly high cost.

9731

CSO: 3521/287

EC CHOKING ON GRAIN, DAIRY, BEEF, WINE SURPLUSES

Munich SUEDEDEUTSCHE ZEITUNG in German 18 Jul 84 p 25

[Text] The common European policy on agriculture is in danger of running out of control. In the council of agricultural ministers, which convened in Brussels on Monday for a two-day conference, there were no initial signs of how the problems of surpluses are to be solved. Renewed attempts, such as those on the part of the Germans, to cover up individual problems with the help of national finances, are being summarily rejected by most of the EC partners, because they seek to rely on the community's resources.

In the meantime, as Minister for Food, Agriculture and Forestry Ignaz Kiechle demonstrated in a calculation before the council of agricultural ministers, foodstuffs in the equivalent value of DM 17 billion have already been financed from this fund and they are now being stored in the EC's warehouses. Further financing is in question and will be a topic for the budget ministers on Thursday. In the meantime, the EC commission and the professional agricultural organizations are rebuking the governments of the member nations and the council of ministers for neglecting their political responsibility and their contractual obligations.

Appeal from the French

The only concrete decision that had been reached by Tuesday afternoon in the council of agricultural ministers is the rejection by six partner countries of the German motion for permission to make DM 10 million available from national funds for producing 70,000 hectoliters of Mosel-Saar-Ruwe wine. Because of a shortage of funds, the commission has already cut the normal amount of money from previous years from the EC budget for the relocation and production of surplus wine until the end of the economic year.

French Minister of Agriculture Michel Rochard directed an urgent appeal to the council of budget ministers to approve the supplemental budget for 1984, which has been set at ECU 2 billion (1 ECU = Dm 2.25). Rochard reminded them that the agricultural economy measures of 31 March, particularly on limiting milk production, had taken the conservation requirements into account. Against this background, he said, the agricultural ministers council had been able, "in good faith," to base its actions on the assumption that the supplemental

budget would be approved in order to preserve a common agricultural policy. This was being subverted by those member nations (the FRG and Great Britain) which were providing generous assistance to their farmers from national funds. There were bitter comments in this same vein from Greece and Italy.

The "storage balance sheet" presented by Kiechle shows that currently in the EC 1.1 million tons of butter, 1 million tons of powdered milk, 4.6 million tons of grain, almost 40 million hectoliters of wine--four times the amount of a German wine harvest--and 36,000 tons of beef are in storage. The farmers professional and cooperative organizations (COPA [Committee of Professional Organizations in the EEC] and COECA [General Committee for Agricultural Cooperation of the EEC]) estimated on Tuesday that as a result of the decisions on limiting milk production about 800,000 cows, equivalent to about 225,000 tons of beef, would be slaughtered in the second half of the year and next year another 710,000 animals, with about 200,000 tons of beef, would be slaughtered, and this after the number of cows slaughtered had already risen in the first 4 months of the year by between 7 and 25 percent, depending on the member nation.

According to German figures, the FRG has the largest increase in slaughterings, with 33 percent, ahead of the Netherlands with 29 percent and France with 16 percent of the total. According to a statement from the farmers organizations, market prices for beef, which have been falling since October 1983, are now only 83 percent of the EC's control prices. In a letter to agricultural commissioner Poul Dalsager the farmers organizations demanded higher payments in the main for female animals.

The grape growers along the Mosel are to receive DM 10 million from funds in Bonn to reduce their wine surpluses, in spite of the "no" from the EC council of ministers. As Minister for Food, Agriculture and Forestry Ignaz Kiechle stressed following the session in Brussels he intended to look for new ways to obtain national payments. If necessary he would veto every new EC policy on wine in September until the partners agreed to financial assistance for the northernmost wine-producing area in the FRG.

9581

CSO: 3620/398

MAYSTADT ON BUDGET, TAXES, EMPLOYMENT, POLITICS

Brussels LA LIBRE BELGIQUE in French 10 Jul 84 p 3

[Interview with Minister of the Budget Philippe Maystadt by A.M. and V.d.W.; date and place not given]

[Text] The following is the text of the interview granted us by Minister of the Budget Philippe Maystadt.

[Question] Two years ago, Mr Martens said that as long as he was prime minister, the budget year would end in July. This will not be the case this year, because the budget will be drafted in two phases: the main choices in July, and the specific methods in September.

[Answer] I did in fact suggest this formula 2 years ago, but the prime minister feared that it would be misunderstood, and that the public would see evidence of indecision therein. Today the government has adequately shown that it was capable of decision. It is also necessary to derive the lessons taught by experience.

There are are technical reasons for avoiding an effort to finalize a draft budget, down to the smallest details, during the last days, or even the last evenings, in July. But this does not mean that delicate problems should be postponed.

The basic political choices must be made in the course of the month of July. There are a certain number of questions which are on the government agenda today, and which must be dealt with before the end of the month. Otherwise, it will be impossible for us to submit the budget in time. On the basis of the choices made by the government in July, the departments must be able to draft the texts which will then be studied and approved in full detail in September.

Five Political Choices

[Question] What are the immediate political choices to be made?

[Answer] Let us note first of all the method. We have made a projection of expenditures for 1985 based on an unchanged policy, that is to say presuming that nothing further will be changed in the existing legal and regulatory texts. We then calculated what the results of the implementation of the

government recovery plan will be: the savings will come to 105 billion, and the nominal increase in expenditures, apart from the public debt, can be limited to 2.6 percent, which represents a decrease in real terms. This is what has been done to date.

There remain five questions which should be resolved in the course of July.

1. The price policy. To make this projection and to estimate the effect of the savings measures, we had to draft various macroeconomic hypotheses, among other things on the development of prices. It is obvious that, depending on whether there is a greater or lesser increase in prices, there will also be a greater or lesser increase in expenditures. This is a first point to which I drew the attention of the government.

To limit the increase in expenditures, but also in order that the plan will be accepted by the people, it is absolutely essential that, in the second half of 1984, the Price Commission and the Ministry of Economic Affairs take every necessary step in order to limit the rise in prices.

2. The result of the social agreement in progress. If, as we hope, it leads to an interprofessional agreement, it will be necessary to examine its effects on the budget and to establish the methods by which the product of wage moderation can be applied to employment.

3. The public debt. In the government recovery plan, there are still some "blanks" which must be filled. One of these pertains to the public debt. How can the increase in the size of this debt burden be limited? The Ministry of Finance has told us that if no steps are taken, we will have to pay 463 billion in interest in 1985, in other words 91 billion more than in 1984! Compare this figure with the 105 billion in expenditure reductions of which I spoke, and you will immediately see the tremendous difficulty. Can even those of our fellow citizens who are aware of the need for an austerity effort accept the fact that a large part of the result of this effort must go to pay supplementary interest to the banks?

It is immediately clear that the government must seek a mechanism by means of which the financial bodies which benefit from this interest can also make their contribution to the improvement of public finances.

No New Taxes

[Question] You have spoken only about the banks and the financial bodies. Is it certain that the small scale holders will not be affected?

[Answer] They will absolutely not be affected. It is a question only of the financial middlemen, and it seems to me legitimate to ask the question, when we note that their profits are increasing without however any concomitant increase in the taxes they pay. Does this not justify requiring them too to make their contribution to the reduction of interest charges?

4. Tax expenditures. Another "gap" in the government plan involves the fiscal expenditures, that is to say a certain number of derogatory tax

advantages in common law. Plans call for undertaking a cost-profit analysis of these fiscal expenditures, on the basis of an inventory taken by the Higher Finance Council, such as to establish which should be strengthened, maintained, reduced or eliminated. This question has to do with the preceding one, because one of the fiscal expenditures we want to reexamine is the lump sum of the foreign tax, a mechanism widely used by the banks to reduce the tax due in Belgium.

5. The civil service. We must establish the major options with regard to the way in which we pursue the goal of reducing the wage volume by 3.5 percent by 1987 in the various civil service sectors. If we want to avoid having to adopt excessively harsh measures, it is necessary to draft a plan spread over several years. This can be done basically by measures for the distribution and sharing of work time, as proposed by the Minister of Interior and Public Office.

Minister Eyskens' Theory

[Question] Will the slogan "No new taxes" again be implemented for the next budget?

[Answer] Everyone agrees and recognizes that the tax on individuals is too high. Even though there are budget difficulties, further increasing the tax rates must be excluded. It would be desirable, on the contrary, as soon as the budget situation allows, to reduce the tax on individuals. We have reached rates which are greatly in excess of those one finds in the majority of the other industrialized countries. In the end, these rates work against the dynamism of our economy.

That having been said, I am not going to engage in that easy game which would involve making public proposals for tax reductions for this or that category.

[Question] You are not therefore following Minister Eyskens' example?

[Answer] No. First of all because tax matters are primarily within the jurisdiction of our colleague, the minister of finance. And then also because it is too easy to make proposals of a sort to attract supporters, without at the same time indicating very concretely what measures will be necessary to offset this reduction in state income.

[Question] Do you see a change in attitude following the results of the European elections?

[Answer] There is a government recovery plan approved by a parliamentary majority which has not changed since. It is a question of carrying it out correctly and completely within the prescribed time. I think that this concept is shared by all of the cabinet members.

[Question] Second law of recovery: Will there be one or several projects?

[Answer] Perhaps several, but on condition that the overall plan balance is respected. In any case, there is no question of a breakdown to the point of

drafting a law for every sector and department. There are groupings which seem to me entirely logical.

A Happy Surprise

[Question] What is your feeling concerning the score you achieved with the last substitution in the European elections?

[Answer] I must say that this result was a surprise to me. A happy surprise. I had not however had much publicity: friends, both known and unknown, must have helped me. A truly militant step was needed.

[Question] What is your opinion of the PSC [Christian Social Party] results on 17 June?

[Answer] As compared to the 1981 elections, the PSC has gained votes in Wallonia and has become the second party in that region again. In terms of seats in the chamber, we won two. This is rather positive.

This does not mean that everything is going well in the best of all possible worlds. The PSC must remain attentive to what people tell it. The 17 June results are but an encouragement.

The people have much to say about what the government is doing, but also about a series of values which the party should henceforth promote more explicitly than it has done in the past. Gerard Deprez is right, and this is moreover one of the reasons for his success, when he says that "We should be a party rallying support not only on the basis of interests, but also and above all on the basis of values." We must continue along this path.

Listening to the Labor World

[Question] The slogans promulgated by the MOC [Christian Workers Movement] and made explicit by the leadership of the CNE [Employees' National Center] urging abstention from voting for parties which support the action of the government have not been heeded. However, you are a member of the MOC. Were you not in the end closer to the base than the apparatus?

[Answer] I would not go that far, and I would have no right to. I would say however that I am not surprised to see that these apparatus slogans are not automatically endorsed by the members. I have always thought that people made a rather clear distinction between the "political" and "trade union" categories.

For example, during the 1981 campaign, I even met workers in unions in the CSC [Confederation of Christian Trade Unions] who told me that they would vote for the PRL [Party of Liberty and Reform]. They explained that they had confidence in the CSC to defend their business interests, but on the political level, they preferred to cast their votes for a party the battlehorse of which was tax deduction. Thus I think that the slogans put forth by the social organizations only have a limited echo on the political level. This is moreover borne out by the poll you published.

That having been said, I believe that it is necessary to continue to listen to what is being said in the labor world. The fact that organizational slogans are not heeded does not mean that they do not reflect the concerns of their members.

I would add that, if we want to avoid a social outburst and the triumph of "every man for himself," it would be desirable to be able to rely on sufficiently strong and organized interprofessional organizations. Organizations which seek only to weaken the trade unions are playing the game of sectorial or corporatist egotism.

[Question] Will there be concrete results to display by the end of next year if the legislative elections are held on the scheduled date?

[Answer] If there are no unexpected developments on the international or domestic level, one can expect that at that time, we will have corrected our situation with regard to the foreign sector, and that a substantial improvement will be seen in the realm of public finance.

In the employment sector, I would be more cautious. This problem will continue to concern us for long years to come. Just to maintain employment in our enterprises, it is estimated that economic growth of 2.5 percent is needed.

On the other hand, the modernization of our industrial apparatus rarely proves favorable to short-term employment, although it is essential for the maintenance of employment over the longer term.

It is better to speak the truth and not to encourage belief that employment may increase by a considerable proportion. Naturally, we must seek mechanisms to ensure that more individuals benefit from the existing jobs. The goal of maintaining employment is realistic. What is necessary is to distribute the work available. And first of all, whenever it is wanted by the workers themselves.

The Maystadt File

[Question] A last question. The CVP-Jongeren has just published a "Maystadt file" in which it accuses you of practicing constant "Walloon blackmail" with regard to the government. What is your reaction?

[Answer] Where form is concerned, I note that the method used to establish this file--a public appeal for denunciation--is unhappily reminiscent of certain practices thought long gone, at least here among us.

Concerning the basis, I note that what they call "Walloon blackmail" is in reality only the legitimate defense of the interests of the Walloon region on a certain number of national issues. Well then, let them know that I shall continue. For Belgium will only survive if each of its communities and its regions finds its place therein, other than in a relationship of the dominator to the dominated.

ECONOMIC INSTITUTES SKEPTICAL OF BONN RECOVERY POLICIES

Frankfurt/Main FRANKFURTER RUNDSCHAU in German 12 Jul 84 p 5

[Text] Whereas in the United States the economy is still growing strongly because of "tolerated" budget deficits, the economic situation in the FRG and in the other Western industrial states is still characterized by an only moderate upward movement. This conclusion is arrived at independently of one another by the Berlin DIW [German Institute for Economic Research] and the Hamburg institute HWWA [World Economy Archives]. Both foresee a noticeable slackening of economic growth in the FRG sometime next year at the latest, but they call for very different responses on the part of the State. Whereas the Berlin researchers are pressing for a prompt abandonment of the rigid policy of economizing and for selective structural investments, their Hamburg colleagues are defending the "necessary cuts in the social welfare system" and are advocating a tax reform which is more oriented to growth.

For the current year, the DIW still expects an economic growth in real terms of just under 3 percent, but it fears that for 1985 the growth rate will be merely 2 percent. In particular, the number of people unemployed will not decrease in 1985 either. According to the DIW in its most recent weekly report, in such a case the unemployment rate would remain at a level of over 9 percent--with this happening in the third year of a seasonally-adjusted rise in production.

The consequences to economic activity in the current year from the labor dispute are assessed by the Berlin economists in a quite conservative fashion. They expect that in an effort to make up for production losses, there will be an atypically high growth in the third quarter. This will continue even up to the end of the year. As a whole it is expected that about two thirds of the loss in growth due to the labor dispute can be recovered. But after the turn of the year the influences supporting economic activity will slacken, the DIW says.

The DIW complains that on the basis of the budgetings under consideration so far, the government will not be supporting economic activity to any greater extent in 1985 than it is doing in 1984. The institute calculates that in 1985 the financial deficit of the State will amount to a sum of only DM 12.5 billion, after being DM 30.5 billion this year and DM 45.3 billion in 1983. With that, it says, there arises also room for financial

maneuvers aimed at again providing for more employment than hitherto and at tackling the problems of the labor market.

However, the experts at the DIW are not thinking here of customary economic-policy programs in accordance with the principle of "something for everyone." On the contrary, selected structurally necessary projects in the sectors of technology, environmental production, public short-distance passenger transport, and also in connection with health and social services, education, and science should be given the importance they deserve.

The Hamburg HWWA researchers have a considerably more skeptical view of the consequences of the most recent labor dispute than the Berlin scientists do. In their opinion, the shortening of the work week from next year on will lead to an increased pressure for rationalization measures and to losses of jobs. In its most recent prognosis on economic activity the HWWA writes that although in a number of places there may be a hiring of additional workers, "in many places there will be losses of jobs because of increased rationalization."

In addition, an "inadequate economic policy" on the part of the Federal Government is adversely affecting the economy, it is said in the HWWA prognosis. The consolidating of public finances alone is not sufficient. In the tax reform, "efficiency-promoting incentives have come off badly." But the most serious problem is that of undesirable trends in the subsidy policy, especially the billions of marks of additional credits in agriculture. This policy has brought "into discredit the cuts in the social welfare system, however necessary these were." In contrast, the DIW welcomes the decisions by the Federal Government on a tax relief and also the fact that this is to take place in two stages in 1986 and 1988. But through the relief given to agriculture, outdated structures have been preserved and more surplus production has been encouraged.

12114

CSO: 3620/397

DIW ESTIMATES STRIKE IMPACT UPON GROWTH RATE MINIMAL

Munich SUEDEDEUTSCHE ZEITUNG in German 12 Jul 84 p 29

[Text] Berlin--Economic growth in 1984 will amount to just under 3 percent in real terms, according to the estimates of the German Institute for Economic Research (DIW), Berlin. In its most recent prognosis on economic activity, the DIW examines above all the consequences of the labor dispute. It says that this cost about 3 percent in growth in the second quarter of 1984. But it can be expected that in the coming months the businesses will strive to make this up again.

According to the assessment of the Berlin scientists, it is likely that about two thirds of the loss in growth can be made good once again. This growth will continue on in the fourth quarter of 1984 as well, but then the stimulants to growth will weaken. The DIW attributes this development to several factors which have continued to support the upward trend in the current year. For one thing, in 1985 private consumption will no longer be encouraged by waning capital-forming investments as it was in 1984. For another thing, the effects of the stimulating measures in the construction sector have subsided. In addition the institute also fears that in 1985 exports as well will swing around to a weaker growth track. In contrast, this year exports are still supporting economic activity, because German deliveries abroad have risen more than world trade has.

But in 1985, says the DIW, on the one hand the pace of growth of world trade will weaken, and on the other hand the FRG's exporting trade will be growing only in parallel with world trade by that time. The halving of the growth rate in the United States from 6 to 3 percent is seen as responsible for this development. Not even the recovery in the EEC is able to offset this weakening in connection with the "locomotive of the world economy." On the whole the DIW expects for 1985 an economic growth in real terms in the FRG of 2 percent.

In this regard, one of the positive aspects is the rapid reduction of the public deficits, says the DIW. From a level of DM 45.3 billion in 1983 it is going down to DM 30.5 billion in 1984, and there will be a decrease to DM 12.5 billion next year. It is here that the DIW begins to criticize, because even in 1985, in the third year of an increase in production, the unemployment rate will persist at a figure of over 9 percent on an annual average. Therefore the room for financial maneuvers which has been regained

should be made use of for increased public investments. The Berlin economists praise the tax reform for two reasons. For one thing, the first stage in 1986 would have effects supportive of economic activity, and for another thing because this is coming into force in two stages in 1986 and 1988 it is unlikely that there will be further economy measures which would negatively affect economic activity. On the other hand, the most recent aid to agriculture is criticized. With this, only outdated structures have been kept alive, and at the same time additional excess production has been encouraged. Moreover, says the DIW, the elbow-room for taking measures in support of further economic activity is being constricted.

Larger Interest-rate Divergence

Moreover within the current year the DIW sees an opportunity for additional reductions in the interest rates. The FRG has managed to uncouple itself more than previously from the U. S. interest rates--namely, by 6 instead of 3 percentage points as was the case before. Assuming that the most recent increase in the discount rate has not been misunderstood as a signal to support the Deutschmark, the prospects would be good for pushing forward further with this uncoupling.

HWWA: Not Many Jobs

In the opinion of the HWWA [World Economy Archives] Institute for Economic Research in Hamburg the shorting of working hours will lead to an increased pressure for rationalization and to losses of jobs. In its most recent prognosis of economic activity, the HWWA writes that although in a number of places there may be a hiring of additional workers, "in many places there will be job losses due to increased rationalization." For the intermediate term the greater pressure for rationalization means a change in type for investments. The emphasis will be placed even more on "defensive" investments for minimizing the pressure on costs. But in order to reduce unemployment, increased "expansive" investments are needed for the introduction of new products and the opening up of new markets.

In addition, an "inadequate economic policy" by the Federal Government is adversely affecting the economy. The consolidation of the public finances alone is not sufficient. Tax reform and undesirable trends in subsidy policy have brought "into discredit the cuts in the social welfare system, however necessary they were." It is true that this year investment activity is not being notably affected by the most recent developments. But as soon as next year investments will already be growing more slowly.

12114

CSO: 3620/397

IFO SEES RECOVERY WEAKENING EVEN BEFORE METALWORKERS' STRIKE

Duesseldorf HANDELSBLATT in German 29 Jun 84 p 1

[Text] Munich--In recent months, not only has the brisk business recovery failed to continue any longer, but because of the wage disputes a seasonally-adjusted decline in gross national products has even occurred, declared the president of the Ifo [Institute for Economic Research], Prof Dr Karl Heinrich Oppenlaender, at its general meeting.

But, he said, after the ending of the strike surely a fairly considerable portion of the shortfall in production will be made good again, so that in the third quarter Oppenlaender anticipates a strong rise in the national product in real terms. Therefore when looked at over the entire year, the production losses due to the strike and lockout are likely to stay within relatively narrow limits.

But even apart from the fluctuations in production created by the labor dispute, ever since spring the pace of the economic upswing has noticeably diminished compared to the first quarter of 1984, he said.

Thus according to the Ifo the business climate had reached its high point in February and since then has definitely fallen. But Oppenlaender expects that the climate will improve again just as it has done after earlier wage disputes. However, the worsening of the climate came so early and turned out to be so sharp that this must be interpreted as a signal of an attenuation of the forces tending to lift economic activity. It is unlikely that exports will expand very much more.

It is true that for the year 1984 the Ifo president expects an average increase in the national product in real terms of about 2.5 percent. But in view of the fact that at the beginning of the year a carry-over of a good 1 percent was already present, this signifies only a moderate upward trend in economic activity over the course of the entire year.

Given the present situation, he said, a weaker impetus on the part of the monetary and financial policy is to be expected for the major part of 1985. Moreover the stock cycle has already gone beyond its high point. In the opinion of Oppenlaender, the prospects for a really major tax reform in 1986 have virtually disappeared, so that in 1985 the expectations of the investors and consumers will not be stimulated to a notable extent.

Therefore for 1985 the Ifo does not expect much chance of a strengthening of the forces of growth. If anything, even the opposite is to be feared.

GOVERNMENT TAKES NINETY MILLION DOLLAR FOREIGN LOAN

Reykjavik MORGUNBLADID in Icelandic 22 Jun 84 p 2

[Article: "Icelandic Government: 2.7 Billion Kronur Foreign Loan Signed"]

[Text] The Icelandic government has signed an agreement to take a 90 million U.S. dollar loan, the equivalent of 2.7 billion Icelandic kronur, with 14 foreign banks. Minister of Finance Albert Gudmundsson signed the agreement on behalf of the Icelandic government on 21 Jun 84. This loan was taken in order to finance various government projects in accordance with provisions in the 1984 Credit Budget and supplementary provisions in law for measures in public finance affairs, monetary affairs and credit affairs.

The Central Bank of Iceland handled the preparations for the loan on behalf of the Ministry of Finance, and Morgan Guaranty and Enskilda Securities handled the matter on behalf of the creditors.

The loan is for 10 years with variable interest rates which are 3/8 of a percentage point above bank transfer interest rates in London during the first 6 years but 1/2 percent during the last 4 years. The loan will be paid in seven installments, the first installment 7 years from the signature of the loan. This is a revolving loan so it is possible to repay it partially or in full before the full credit term has expired and draw on it again if necessary. It states in a news release from the Ministry of Finance that this arrangement affords increased flexibility which makes it possible for the borrower to utilize changed conditions in the credit markets. It is also possible to draw on the loan in more than one currency. It also states in the news release that these are the most favorable credit terms by far that the Icelandic government has enjoyed on comparable loans.

The banks involved in the lending aside from Morgan Guaranty and Enskilda Securities are: Credit Agricole, Bank of Tokyo, Citibank, Mitsui Trust, Hokkaido Takashoku, Sumitomo Trust, Girozentrale Vienna, Bank of Helsinki, PK Banken International, Sparekassen SDS, Kansallis Osake Pankki and Sparebanken Oslo.

9583

CSO: 3626/27

HOPES HIGH FOR ARAB INVESTMENT

Lisbon TEMPO in Portuguese 17 May 84 p 23

[Text] A group of bankers from Bahrain, the United Arab Emirates and Oman is interested in opening a bank in Lisbon financed exclusively with Arab capital. The aim of the bank would be to finance the installation of national projects in the industrial and tourism industries of Portugal. The information, received from a good TEMPO source, adds that studies and negotiations are proceeding at a good rate.

Meanwhile, we were able to verify that another group of Arab and Portuguese businessmen visited the Mondego region last weekend. They made important contacts with local agricultural businessmen. It is worth noting that the Portuguese government declared an interest in signing agreements of economic cooperation with Saudi Arabia and the United Arab Emirates this year with a view to continuing the development of bilateral relations and trilateral cooperation programs.

Two official Portuguese agencies are hoping to increase their share of the Arab markets and have launched some initiatives. For this reason the presidents of the Institute of Foreign Investments and Foreign Trade of Portugal, Viana Baptista, engineer, and Dr Jose Ferraz, respectively, began a series of contacts with the purpose of attracting potential Arab markets and investors.

At the same time, the efforts made by Minister of Foreign Trade Dr Jaime Gama in the area of Portuguese and Arab relations is beginning to bear fruit, specifically in the area of investments and in the development of exports. Thanks to the efforts of the Portuguese diplomatic head, the Arabs have begun to take an interest in Portugal.

Ten bankers and businessmen from Bahrain, the United Arab Emirates and Oman met in Marbella, in the south of Spain for 2 days with Arabs who already have economic interests in Portugal and with Portuguese businessmen to study the possibilities of investing in our country. These businessmen, who should have met in Portugal first, decided not to leave Marbella at this stage of negotiations and so met there with their Arab and Portuguese counterparts. They have very complete dossiers on the economic, social and political situations of our country, and after a preliminary analysis said they are interested in proceeding with the investment proposals.

During the meeting, the possibility of channeling Portuguese exports, specifically food products, clothing and footwear to Arab markets will be discussed.

The bankers expect to move to Lisbon in 2 months for the necessary official contacts that could include the Portuguese Prime Minister, if he is willing to receive them as he did Spanish bankers.

The bankers note that they believe in the economic policies of Mario Soares' administration, but that they need more substantial guarantees and answers to many of their requests from the responsible Portuguese officials.

During the first four months of this year, over 20 Arab businessmen visited Portugal for investment purposes and to purchase Portuguese products. Even if the Arab presence is not strong now, it does show that there are good prospects for major Arab investments in Portugal.

Businessmen from Kuwait, the United Arab Emirates, Oman, Bahrain, Saudi Arabia, Egypt and Morocco have recently traveled to Portugal with some frequency. Some of these prefer to remain anonymous and to limit their contacts so as not to waste time.

It is thought that the signing of cooperation agreements in the economic field with Saudi Arabia and the United Arab Emirates can bring sizable advantages to Portugal. But they maintain that Portugal should establish commercial representation in the United Arab Emirates to implement the cooperation agreements, trade and the bilateral and trilateral relations.

12402

CSO: 3542/37

POLL: FEW CAN AFFORD EXTENDED VACATION

Lisbon SEMANARIO in Portuguese 14 Jul 84 p 32

[Text] The majority of Portuguese over 18 years of age (an absolute majority: 57.2 percent) will spend their vacations this year exactly where they are, where they live, without a change of environment, and lacking anything but a temporary stoppage in their occupational activity. So, for many housewives, (with the family at home), "vacations" will very likely mean an increase in work. This fact is not surprising, even when based on the high percentage noted previously; in this matter of vacations, it would be surprising if the effects of the crisis that has been as much publicized as experienced were not very obviously felt.

Even so (or still), a high percentage of Portuguese is or will be managing to spend vacations outside of the place of residence (29.8 percent), while 12.1 percent (with "cabin fever") will go away for part of their vacation and remain at home for the rest of the period.

Destinations

Even with the dreaded water and sand pollution, the beach is still the most desired destination: 39.6 percent of vacationers with "marching orders" have chosen it as a vacation spot, as compared with 35.7 percent who preferred to reinvigorate themselves in the wide, quiet rural areas. Concurrently, 23.5 percent of those for whom vacations entail travel divide their vacations between two traditional destinations, beach and countryside, or countryside and beach.

It is odd to find that in the two leading Portuguese cities, Lisbon and Porto, the overwhelming majority of the population will remain in place (57.7 and 62.1 percent, respectively), while of the lucky ones who will be able to travel, the Lisbon resident prefers the beach to the countryside (41.4 versus 39.1 percent), and the Porto resident opts for the countryside to the detriment of the beach (35.2 compared with 19.0 percent). Nevertheless, since the percentage of the latter combining the two destinations (beach and countryside) is far higher than in the case of the Lisbon residents (42.3 versus 19.4 percent), the aforementioned figures could immediately assume different meanings.

Women

Of the 57.2 percent of Portuguese over 18 years of age for whom vacations "away" will be only a wish, most are women (56.5 percent); whereas, insofar as age is concerned, they are the oldest (45 years or older) and the most underprivileged (59.5 percent).

As for the division of those who are "staying" and those who are "going," based on socioeconomic class, there is no surprise: Only 10.7 percent of those included in the classes considered "upper" or "upper-middle" will not go away for vacations.

Next week, we shall take up the subject again, based on some other of the (many) possible viewpoints or ramifications.

Note: The letters A, B, C and D referring to socioeconomic classes and inserted in some of the tables have the following meanings: A = "upper class"; B = "upper-middle class"; C = "middle class"; D = "lower class."

Cities in Which They Intend to Spend Their Vacations This Year

	Total	Coimbra	Evora	Lisbon	Porto	Vila Real	Viseu
Where they live	57.2	35.0	55.8	57.7	62.1	24.2	59.0
Elsewhere	29.8	42.5	22.9	31.6	22.9	48.5	19.9
Where they live and elsewhere	12.1	20.7	21.3	9.7	15.0	12.8	12.8
Have no vacation	0.2	-	-	-	-	13.4	8.4
Don't know yet	0.7	1.0	-	1.0	-	1.1	-
Other	-	-	-	-	-	-	-
Do not indicate	-	-	-	-	-	-	-

Cities: Vacation Sites

	Total	Coimbra	Evora	Lisbon	Porto	Vila Real	Viseu
Beach only	39.6	59.1	63.1	41.4	19.0	83.2	77.3
Countryside only	35.7	23.9	20.1	39.1	35.2	11.6	20.3
Beach and countryside	23.5	15.9	6.7	19.4	42.3	5.2	2.4
Spas	0.2	-	6.0	-	-	-	-
Other	0.2	1.1	2.3	-	-	-	-
Do not indicate	0.9	-	1.8	-	3.5	-	-

Sex, Age and Socioeconomic Class: Where They Intend to Spend Vacations This Year

	Sex		Age		Socioeconomic class			
	Total	Male	Female	18-44	45 or over	A & B	C	D
Where they live	57.2	52.3	61.6	48.3	65.3	23.5	61.0	96.1
Elsewhere	29.8	32.6	27.3	34.4	25.6	51.7	27.6	3.6
Not only where they live	12.1	13.5	10.7	17.2	7.3	22.0	11.1	-
Have no vacation	0.2	0.2	0.3	0.1	0.4	-	0.3	0.3
Don't know yet	0.7	1.4	0.1	-	1.4	2.7	-	-
Do not indicate	-	-	-	-	-	-	-	-

Sex, Age and Socioeconomic Class: Vacation Sites

	Sex		Age		Socioeconomic class			
	Total	Male	Female	18-44	45 or over	A & B	C	D
Beach only	39.6	31.5	48.4	45.5	31.1	47.0	34.1	-
Countryside only	35.7	40.8	30.2	31.9	41.3	21.6	46.3	100
Beach and countryside	23.5	27.4	19.1	22.5	24.9	31.1	17.5	-
Spas	0.2	0.1	0.2	-	0.5	-	0.4	-
Other	0.2	0.1	0.2	0.2	0.2	0.2	0.1	-
Do not indicate	0.9	-	1.8	-	2.1	-	1.6	-

Universe

Portuguese population over age 18 residing in the cities of Coimbra, Evora, Lisbon, Porto, Vila Real and Viseu; sample: 614 individuals; sampling: aleatory, stratified by city, non-proportional imputation; selection: aleatory, using random route method for the household and, in the latter, using the Kish method for the individual to be interviewed; technique: direct, personal interview, using structured questionnaire, at the residence of the person interviewed; sampling points: six cities in which 120 starting points were selected; field work: interviews held during the period between 20 and 29 June 1984; margin of error: in total, the error stands at + 4 percent in a confidence interval of 95 percent for p = 50 percent; responsible institution: the investigation was conducted by NORMA SARL, Portuguese member of GALLUP International.

2909

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BRIEFS

INCREASE IN UNEMPLOYMENT FIGURES--The number of unemployed registered in the Employment Centers rose 4.19 percent during the interval between May 1983 and May 1984. In those 12 months, an additional 12,281 individuals registered with those centers. In May of this year, the total number registered, including jobless seeking new employment and youths seeking their first position, amounted to 292,758. Those seeking their first job accounted for 18.65 percent of the total (54,609), while the subsidized unemployed numbered slightly more: 68,324. But the status of employed workers in Portugal is not promising: 12 percent of the active population (totaling nearly 4.5 million) have term contracts. Just by way of example, in civil construction this percentage is 45. Moreover, 400,000 workers earn average wages that are less than 80 percent (18,400 contos) of the national average wage, which is about 23 contos per month. Only a fraction of the 48 million contos per year coming from the deductions for the Unemployment Fund is used to pay subsidies. The 68,000 workers who received subsidies during May 1984 represent a cost of nearly a million contos, if we accept the fact that all of them are entitled to 100 percent of the national minimum wage. Multiplied by 12, this amount represents 25 percent of the total originating in the Unemployment Fund. National minimum earnings: industry and services: 15,600 contos; rural workers: 13,000 contos; domestic workers: 10,000 contos. [Excerpts] [Lisbon TEMPO in Portuguese 26 Jul 84 p 15] 2909

POINTS OF DISAGREEMENT WITH EEC--At a time when the negotiations for Portugal's entry into the European Community have embarked upon their final phase, five points on which agreement is still essential can be identified. Two of them relate to social issues (the family benefits to be given to Portuguese living in another EEC country, and the "safeguard clause" whereby Luxembourg is attempting to limit the access of Portuguese workers). Two others come under agriculture (the wines from Porto and Madeira, and the tomato concentrate). The last one is associated with fishing (sardines). The general estimate is that only political arbitration can resolve these issues, which might therefore constitute the purpose of the so-called "final accord," in other words, a change of concept regarding the form of the package at the end of the negotiations. Three items involving Macao's future statute with respect to the EEC, the context of relations between Portugal and Spain in the Community of 12 and, finally, the question of the countries' own resources (which of course will have to come up at the end of the negotiations) and, consequently, the Portuguese contribution to the Community's budget, have not yet been mentioned

at the negotiating table. In order to present a complete picture, we shall cite two problems that are also being debated in the EEC, but outside the context of membership: namely, the textile accord and the automobile protocol. [Text] [Lisbon O JORNAL in Portuguese 27 Jul-2 Aug 84 p 13] 2909

PARALLEL ECONOMY--A study contained in the latest quarterly bulletin of the Bank of Portugal has disclosed that, in 1981, the underground economy in Portugal accounted for 11.2 percent of the gross domestic product (GDP). The underground economy is considered to be the portion of the GDP which, because of non-declaration or under-evaluation, is not taken into account in the official statistics. The increasing interest in the underground economy is associated with the fact that it is playing a "shock-absorbing" role in the economic crisis which has typified the economies of the industrialized countries in recent years. According to the Bank of Portugal's study, up until 1974 the weight carried by the underground economy never exceeded 7 percent of the GDP. In 1975, however, that figure rose to 10.3 percent, and after declining until 1978, increased again, reaching its highest point in 1981 (the last year for which there are available data). As leading causes for the underground economy, the authors of the study cite the presence of a high taxation and restrictions of various kinds, noting that any of these factors of itself would suffice to give rise to types of underground economy. The underground economy has negative effects with regard to the efficiency of the economy, inasmuch as it represents a diversion of resources from legal activities to underground activities. Nevertheless, it can have positive effects, specifically on unemployment. The presence of an underground economy of significant dimensions (the study emphasizes) has major consequences, specifically with respect to "the measurement of the macroeconomic variables, the direction of the economic policy and the efficiency in the operation of the economy as a whole." [Text] [Lisbon O JORNAL in Portuguese 20-26 Jul 84 p 8] 2909

UNPAID SALARIES--Yesterday, the state secretary of labor disclosed that, as of 31 May of this year, the salaries in arrears affected a total of 45,067 workers. This figure, which represents nearly 3 million contos, is considerably lower than that recorded 4 months earlier, a time when, according to the same member of the government, there were 5,500 more workers in the same situation. In addition to the workers with salaries in arrears, an almost equal number of other employees found themselves, on the same date, failing to receive other monetary benefits, such as vacation subsidies or those for Christmas, and retroactive pay. [Text] [Lisbon DIARIO DE NOTICIAS in Portuguese 24 Jul 84 p 3] 2909

HIGH YOUTH UNEMPLOYMENT--According to a disclosure made by Luisa Pombo, of the Institute of Employment and Occupational Training, there are in our country at present nearly 240,000 young people who are unemployed. This figure, which applies to the age bracket up to 24 years, represents 55 percent of those unemployed in our country. According to the aforementioned technician, the unemployment among the youth is not temporary, for the simple reason that their labor is not competitive, since they are the last to reach the job market. And she added: "There is a very large gap between the environment

experienced in our schools and the occupational activity to which our young people can have access." Luisa Pombo also reported that 16 percent of the unemployed youth have complete secondary schooling, and that in terms of percentage the women are the ones most underprivileged. She also stressed that, "The notion that the young person is not employed because he lacks training or qualifications is groundless, because there are now even unemployed persons who have degrees." [Excerpt] [Lisbon DIARIO DE NOTICIAS in Portuguese 22 Jul 84 p 6] 2909

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ECONOMIC GAINS LACK IMPACT ON MOST INDUSTRY, LABOR

Duesseldorf WIRTSCHAFTSWOCHE in German 29 Jun 84 p 30

[Unattributed article: "The Boom Never Happened"]

[Text] The OECD is reporting good news about economic developments in Turkey. The citizens have yet to experience the upswing promised by their Premier Turgut Ozal, however, Inflation is galloping ahead while wages lag behind. Many businessmen are also disappointed.

Turgut Ozal never grows tired of repeating his proclamation that the upswing is supposedly just around the corner--the upturn was first predicted to take place in the spring, then the summer, now it's supposed to come in September. Moreover, the Turkish premier likes to remind people of his election promise that it would first be necessary to tighten belts and go through the slump. This is exactly what millions of people in the country have been doing for some time. Above all else, it is the alarming loss of buying power of the Turkish lira which is driving countless families to live at the bare subsistence level. Ozal expected the 40 percent peak in the inflation rate during 1984, but even then for only a short time. Beginning in the spring, so it was said, inflation would slacken and finally level off at an acceptable yearly average of 25 percent (1983: 37 percent). The inflation rate is now about to surpass the 60 percent mark. Experts in the Turkish Ministry of Finance calculate that at best it could decline to 40 percent by year's end. The OECD in Paris anticipates a rate of 38 percent, but the prominent opposition politician and economics professor Memduh Yasa believes that an annual average of 50 percent is more likely.

This would be especially hard on Turkish employees, who have been allowed wage increases of only 25 percent by the government in 1984. Real incomes in Turkey are already lower now than during the mid-1960s. Turk-Is, the only trade union federation permitted by law, finds that its hands are tied: Strikes for higher wages are forbidden in Turkey during 1984. Those approximately two million Turks now receiving the State minimum wage, for example, have to make ends meet with the equivalent of 130 marks per month - they have to work 17 hours and 23 minutes for a kilo of meat. The ever swelling army of the unemployed is in even worse shape - the official

figure is currently three million, but in reality probably almost four million persons are left without any government support. In view of this situation, most Turks must almost take it as a bad joke that the banks are currently paying them 53 percent interest on three-month time deposits - "in order to siphon off buying power," as Ozal coolly points out. It is questionable whether Turkish inflation can be combatted using the classical instruments of monetary policy. The Premier has given his word to the International Monetary Fund, which is observing the developments in Turkey with increasing anxiety, that under no circumstances will he start printing paper money and that the deficits in the government budget will be drastically reduced. This is easier said than done, however. The constant devaluation of the Turkish lira forces Ozal to find more and more money for debt service. Ankara currently owes foreign lenders about 17.8 billion dollars, while Turkey's private economy is in debt to the extent of slightly less than two billion. Of course, Turkey belongs to that select group of three developing countries which have paid their foreign debts on schedule during the past four years, according to an OECD report. The Turks were only able to accomplish that, however, thanks to generous refinancing operations, and it is the latter in particular which are now causing the burden of debt to become truly onerous: in 1984 Ozal needs to come up with slightly less than 2.6 billion dollars for amortization and interest payments, next year he will need more than three billion.

In order to pay foreign borrowers as planned, Ozal was compelled to submit a supplementary budget at the beginning of June amounting to 795 billion lira (about six billion marks) - this will swell the size of the budget by not less than 24 percent. The lion's share of 590 billion lira will be made available for debt service. Ozal intends to finance the added expenditure by means of tax increases, and to a lesser extent, by floating government bonds. These measures could swell the Turkish government budget to seven percent of the gross national product, following 2.34 percent last year, while economic growth this year is anticipated to be only four percent.

The country's businessmen also increasingly view themselves as the victims of Ozal's monetary policy: Net credit costs of up to 70 percent have drastically reduced the willingness to invest, and numerous middle-class companies are in danger of going under. Premier Ozal likes to present the boom in exports for which he is responsible--a 34 percent increase in exports during the first four months of the year--as the driving force behind the imminent upturn. Such export successes have little effect on the domestic economy, however, for they accrue almost entirely to the benefit of a few large companies engaged in building roads, factories, and satellite cities in the Middle East and North Africa.

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